



SIGNIFICANCE AND POTENTIAL OF THE DEVELOPMENT OF THE EXPORT OF AGRICULTURAL PRODUCTS

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ABSTRACT

The investigation of the significance and the potential of the export of agricultural products is only a fraction of the studies which has been undertaken. The intersectoral structure of the Bulgarian economy has been studied before on several occasions in 1994 and 2004 with the perspective of the “expected” inclusion of Bulgaria in UE and the common market. Studies use a wide variety of scientific instrumentation of analysis but there is a lack of unity and conclusions are unclearly pronounced. This is a weak point of the study of the process because we need to know which are the “departing” levels of the Bulgarian Economy and we can use these data and conclusions in order to develop strategic documents for the development of the sector. Bulgarian economic sectors aren’t separate one from another and they interact with each other. Stated means that the dynamics of export of agricultural products could be an indicator of the overall situation of the Bulgarian economy

Key words: significance, potential of export of agricultural products, economic sectors, overall economic development

INTRODUCTION

The study of the structure, dynamics, and potential of export of agrarian products is important, because these products generate the basis of alimentation of our population, serve as intermediate products in Alimentation industry and several more industries like textile industry and pharmaceutical industry. Bulgaria has had strong traditions in the production and export of agrarian products during the years.

The aim of this study is to discuss which is the significance of the export of agrarian products, which is their place in the structure of Bulgarian export and how can we obtain knowledge about the overall state of our economy comparing the levels of agrarian production in the relationship of the rest two main sectors in our economy.

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The study of the dynamics of Export of agrarian products is a narrow field of the study of the Intersectoral structure of the Bulgarian Economy. Regarded as a Macroeconomic perspective, Exports are related to the Foreign Sector of the Bulgarian economy (Private sector, Public Sector, and Foreign Sector).

Exporting activity encompasses the realization of Bulgarian products and services abroad and subsequently, this commercial activity brings inflow of money to the Trade Balance of our economy.

The development of exports should bring also positive effects upon our economy. That means our products are competitive by price and quality that is appreciated in foreign markets. The activity of export virtually enlarges the possibilities of the market, adding the power of consumption of consumers of other markets. This statement is true, nevertheless only in general. It's important to regard which is the

added value that generates the production of agrarian products for the overall functioning of our Economy. We should also study the structure of exports by type. It's not only important to realize our goods in foreign markets, but it's important to have insight which is their level of transformation, added value, and the possibility to distinguish them from the rest using brands that can bring added value to the product. These characteristics are typical for more transformed goods, such as food and industrial products. They have a higher level of transformation and possess more investment in technology, knowledge and their production are able to generate higher economic impact for our economy translated in higher employment rate, and generation of higher incomes.

MATERIAL AND METHODS

The presented study is a result of the thorough follow and analysis of theoretical researches about intersectoral structure, agrarian production, and foreign trade. The understanding is persecuted both at the macroeconomic level to microeconomic level.

The main method used in this article is the logical sequence of several important economic categories in our economy. Comparative analysis is used in order to get the meaning of each economic category such as agrarian production, exports, the structure of export, and the intersectoral structure of our economy. We assume as a hypothesis, that the structural weight of the production and realization of different types of products within three sectors of the Bulgarian Economy is mobile and their inner relationships could bring valuable information for the overall state of the economy.

The scope of this research paper shall not be placed only upon the evolution and actual state of the Exports of agricultural products in physical volume and monetary one, but its significance for the overall economic state of Bulgaria.

The economic development of Bulgaria is related to the functioning of many public and private actors in the three major sectors of the economy: "Primary", "Secondary" and "Tertiary". The structure of the economy in Bulgaria has meaning and delivers significant understanding to

analyzers only when is regarded in its completeness. Economic sectors are interrelated and interdependent. The agrarian sector produces resources and intermediate products, that are utilized by the Secondary sector. But the development of the Agrarian sector would be unthinkable without the services which are encompassed in the Tertiary sector: finance and banking, insurance activity, trade activity, transport, accounting, economic and technical consulting. Of course, not at last the activity of R&D (Research and Development), which is broadly led by public and private universities; Agrarian institutes, and private organizations, is an activity that can add significant value and isn't placed in the Primary sector. The significance of the export of agrarian products could be regarded macroeconomically as part of the structure of Overall exports in the country with the subsequent benefit of expanding the boundaries of our market and the input of foreign currencies in our economy. These benefits are not due to be transferred proportionally to agrarian producers, as we mentioned some of them prefer to have contracts of futures, or they sell to intermediary companies. The second scope is microeconomic. Are able Bulgarian agrarian producers to develop their economic potential sufficiently and reach the mature state of their agrarian holding when they are forced to seek realization in foreign markets? Actually, is not part only of one economic actor but it's a matter of the functioning of the environment of governmental and private organizations.

It's important to mention that Bulgaria is an industrialized country, but nevertheless, the share of agrarian production has been significant during the years. Its value is variable due to the connection of the sector to the overall economic state of Bulgaria. According to a report of the Institute of Agrarian (1), the Agrarian sector has been representing up to a 10 % share of the Gross added value of the Bulgarian economy for years and this value fluctuates according to the development of other sectors in the country. These processes of mobility of the relative weight between main sectors are considered to be natural, as the development of the economy is linked to the progress which follows the path from mainly agrarian production to, development

of industrial production and at last is supposed to reach high development of the sector of Services. So, the relative weight between sectors should change in time and could be noticed in any "structural period" of the development of the economy. We understand the term "structural period" as the time lap in which conditions of the development of the economy change and generate the structure of resources, production factors, access to technology, and knowledge which shapes the potential of the development of the economy.

According to Iv. Stoycheva (2) for the period between 2000 and 2016 structure of Employment has significant changes according to the coefficients of K. Gatev and R. Ryabstev which depicts structural changes in employment in the Agricultural sector. Changes are related to a relative loss of employed personnel and structural changes related to employment are significant. Which could be translated to different "starting levels" for elaborating any Bulgarian strategy and policy for following periods of CAP policies in Bulgaria. The structure of employment directly affects the potential of export as several agrarian subsectors are very highly dependent on a workforce level of export of agrarian products would experience fluctuations accordingly. European measures take a huge part in Bulgarian funding of the sector and often comprise motive factor for cultivating some cultures or leaving behind others. Related to exports European measures can shape the framework in order to develop strong production and be able to realize the excess of agrarian products and food in the international markets (3).

PROBLEMS RELATED TO THE EXPORT OF AGRARIAN PRODUCTS

Economic activity in the Bulgarian economy is developed under the conditions of the multisectoral developed economy with strong differences between three primary sectors. These differences are visible in the labor force requirements, amount of investment, and power for generating wellness for the economy and income for the employed people. Our main question is where we can find potential economic motors of the Economy, and which is the place of Agrarian production and Agrarian exports in the development of the Bulgarian economy.

Which is more important for the overall state of the economy export of agrarian products or the ability to transform agrarian products into foods, clothing, and other industrial products. Is the mid-consumption between sectors strong enough or the potential of the export of agrarian products will be affected accordingly? Which are the factors that could shape the potential of export of agrarian products and will change its significance for the general economic development of the country?

Actually, the matter of economic science is not to state whether a certain indicator or aggregate shall be high or low, but when it's at its optimum levels and describe which are the conditions and which factors influence it. For more than thirty years the economic activity in Bulgaria is subjected partially or totally to the rules of free economy and free trade. We state "partially" because Agrarian Sector in Bulgaria is subsidized and there are some policies such as tax eases for agrarian producers in order to guarantee the price of the food at a stable level. Tax eases are related to 60% Statuary Eligible Expenses, which can significantly reduce the amount of Basis of assessment. This mechanism reduces the cost of taxes owed by physical producers jointly to the reduction in the duties of fuel. It is not possible in our state of the economy and current legislation to fix prices of foods, but instead, there are many mechanisms in order to keep prices of foods for humans and animals as much as accessible. There is also a mechanism in order to modulate the overall quantity of agrarian products in the Bulgarian market as it is in constant monitoring of several services ruled by the Ministry of Agriculture, Forestry, and Food. There is funding for control and collecting the information over the state of agriculture and food market. Strategic documents are periodically issued in concordance with the Bulgarian policy, strategic needs, and of course, the European supranational legislation encompassed in the Common Agrarian Policy - (CAP ahead).

REALIZATION OF AGRARIAN PRODUCTS ABROAD

There's also one more intrinsic problem to the production and realization of agrarian products and food abroad. Production and distribution of ailments are a guaranty we can solve the "Alimentation issue" of our country. It's not a

crisis issue but a principle that Bulgarian policies follow. It's a matter of national security to be able to have immediate access to foods and their price should be as stable as possible, without taking into account the shortages caused by low levels of crop yields, or adverse conditions such as epidemic disease over plants or animals. Imports of food are always an option, but this activity contributes to the risk of lack of supplies or "break in the supply chain" in the cases there is political or military instability in the region. On the other hand, the import of foods and agrarian products affects pressure on local producers. Bulgarian producers can compete with their quality and traditions but are they able to expand their economic potential and seek new markets and contribute to developing Bulgarian Export potential of agrarian products.

There are also inherent market barriers to the realization of agrarian products. Usually, agriculture is a subsidized sector in developed countries which reshapes the cost levels and adding the frontier barriers as custom duties cause transformation in the free flows of goods and money related to agricultural goods (4). The significance of export also is able to reveal are we able as agrarian producers and as an economic structure to join international supply chains of agrarian products.

One of the tasks of the present research paper is to outline the theoretic guidelines in order to be able to determine which is the significance of the export of agricultural products in Bulgaria. Export and import activities have also an influence over the prices of foods in the national market. When a good is an object of export the physical volume of the food can be reduced and a fluctuation will follow according to the laws of exchange regarded in microeconomics. Traditional exporting agrarian products are wheat, essential oils, fruits, and vegetables, lately nuts.

Market case - the price of wheat and the price of Bread in Bulgaria.

Let's regard the price of Wheat for bread production. This is a strategic product because is the basis for the production of bread and a series of foods. Usually, the yield of wheat for bread is more than enough in order to respond to the

demand of external markets and assure the required levels of good in order to maintain the price of bread stable.

The actual situation of foreign markets and the inflationists push of prices of fuels and energy would raise the prices of bread in Bulgaria until the end of the year. The issue is if the prices of export are at historic levels reaching some futures at 700 USD per ton of wheat spot prices in August at major Stock Exchange Halls in the world. Would it lead to a deficit of this agrarian product on the Bulgarian market? This process is complex, and It's related to the level of national reserves and the reserves of private owners. Free market rules state, that every owner of the produced good is free to decide whether to trade it or to keep it for later use. The storage of wheat is also an arduous task because collected wheat is highly inflammable. Storage requires the use of special buildings called Silos, which are expensive to use and expensive to maintain. The natural motives of Bulgarian agrarian producers of wheat are to realize their crops as soon as possible or keep them as the prices rise. This is of course a trade relation on spot prices. Of course, there are other types of relations seen in the annual financial statements, of the greatest Exporters of Wheat or other Industrial Crops work with contracts of Futures at the end of Chain of Supply. They can have a prevision of prices if they have contracted a price in Futures market and they fund Agrarian producers according to those prices in order to assure the number of stocks they desire to trade.

The same model could be used by Food factories in the country (Bread factories, Mills, and others). They can contract future quantities of Bulgarian producers, so they can be sure they will have at least minimized the risk of shortage of supply. As there is inherent volatility of the yield quantities in Bulgaria.

In order to continue the following case, we can say that also import of wheat would be problematic if the spot and futures prices over the world markets are higher than the price of own produced wheat.

That situation wouldn't take our economy to a deficit of wheat and a severe rise in the price of

bread and dough products immediately. Every economy possesses certain levels of reserves and the changes in the market after a shift of one of the influencing factors occurs after a delay called a lag. Sensitivity in the prices of food could be regarded both as a result and as an indicator of the current economic situation.

Exposed concerns are not related to immediate market conditions but explore the risk of shortages of supply of foods and how the activity of Exportation and Importation of foods and agrarian products affect the level of prices of food regarded as a strategic aim for Bulgarian policies and national security.

CONCLUSION

The levels of Exports of Agrarian products shall be regarded in the context of the overall "basket" of exports. In other words, we can understand an aggregate narrowly selected as part of export only in the context of general exports and its meaning and influence on the economy could be understood only in the context of the General economy on the macroeconomic and microeconomic scope. Sometimes even the meaning of the same economic category can change according to the distance of scope we apply and the meaning of the sector for the Bulgarian economy and population. In fact, the final consumer of goods of Bulgarian products and Foreign products are the population of the market. This implies also strategic significance and meaning of reducing probable risks of supply chain shortages at different levels.

The significance of the agrarian sector is to provide raw materials and foods for the population at the "lowest price possible" in order to obtain benefits and added value in the secondary sector. Tertiary sector such as financing, insurance, and computer technologies servers only as aid personnel that makes the production possible. We observe significant changes in economic structure which place the Agrarian production in a difficult situation, as it loses employees in the proportion of other sectors, which hampers the potential of export and the possibility of generation of surpluses and realization of agrarian products abroad.

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