

Competitiveness of Estonian milk and meat sectors

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GENERAL REMARKS

DAIRY SECTOR 1995-2005

- The number of dairy cows diminishing (211 000 to 113 000 head);
- Cows productivity are rising (3564 to 5886 kg per cow);
- Milk production stay stable (640 000 – 670 000 ton per year);
- Significant investments support 2001-2004 (SAPARD)
- **Main restriction is the milk QUOTA**

GENERAL REMARKS

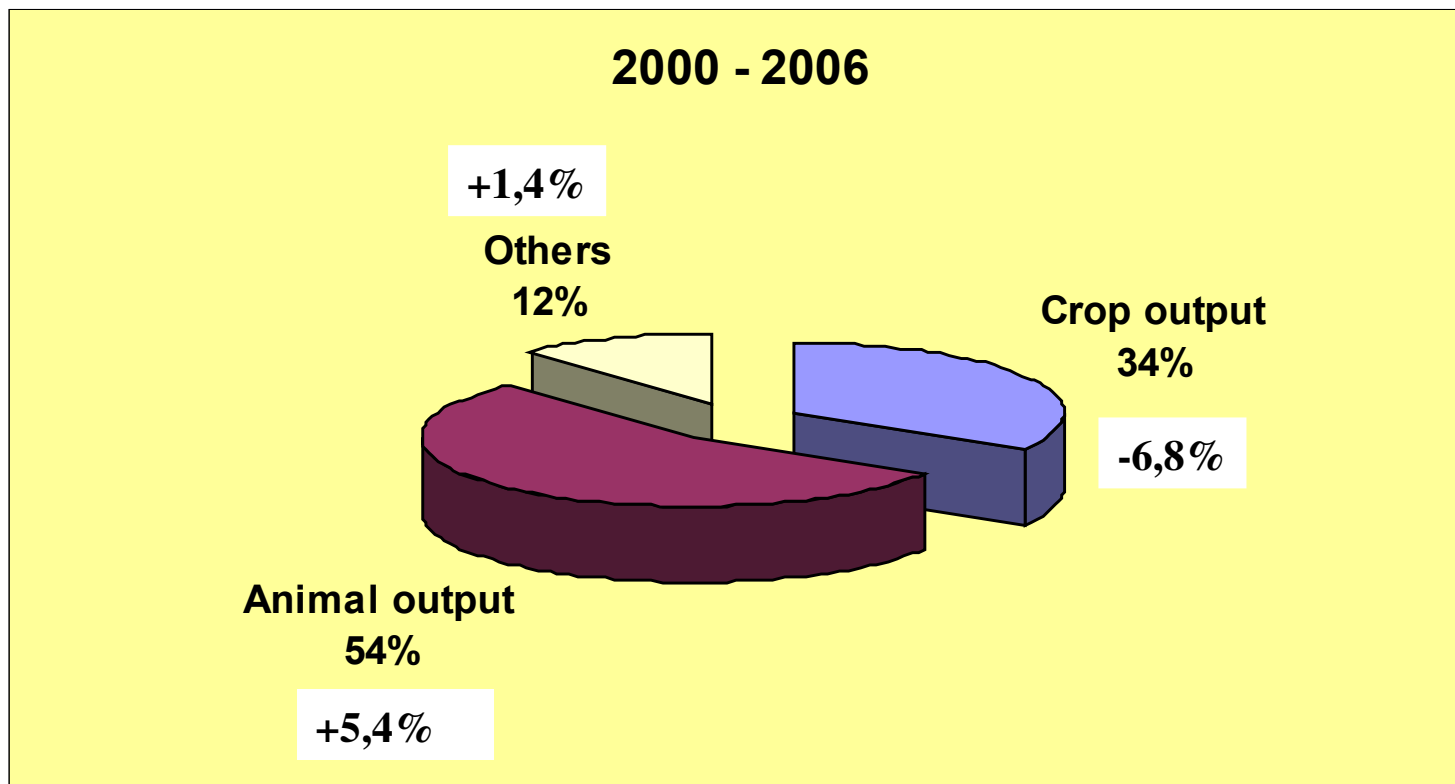
MEAT 1995-2005

Concentration process on the field of pig meat production

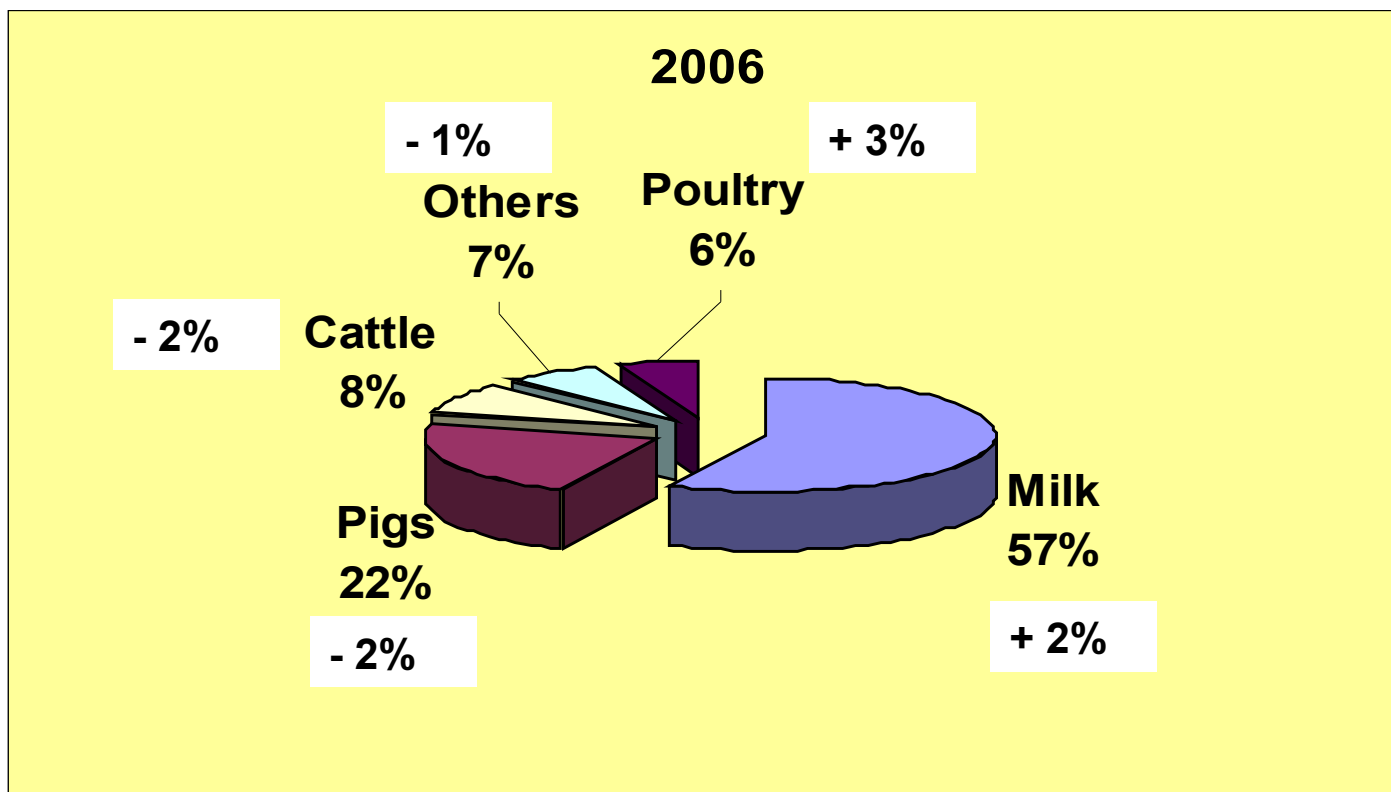
Significant investments for processing industries (SAPARD+FDI)

Self sufficiency 78-82 %

GROSS AGRICULTURAL OUTPUT CHANGES 2000-2006



ANIMAL OUTPUT CHANGES 2000-2006



Research objectives

Two main lines:

1. To estimate the price convergence for a main animal products before (2000-2003) and after (2004-2006) accession to EU

2. To estimate competitiveness of milk and meat products on the Common Market (1995-2005)

Methodology

Price convergence

Definition

Price convergence is the balancing process of costs and prices for a goods and services in certain economic space on the background of the competitive advantages for these good and services

Methodology

- Formula for price convergence evaluation

$$PCC_i = (P_{t0,R} - P_{t0,cc}) / (P_{tf,R} - P_{tf,cc})$$

Where are:

PCC_i price convergence coefficient for a good i ;

$P_{t0,R}$ producer price, beginning value for reference country;

$P_{t0,cc}$ producer price, beginning value for compared country;

$P_{tf,R}$ producer price, final value for reference country;

$P_{tf,cc}$ producer price, final value for compared country.

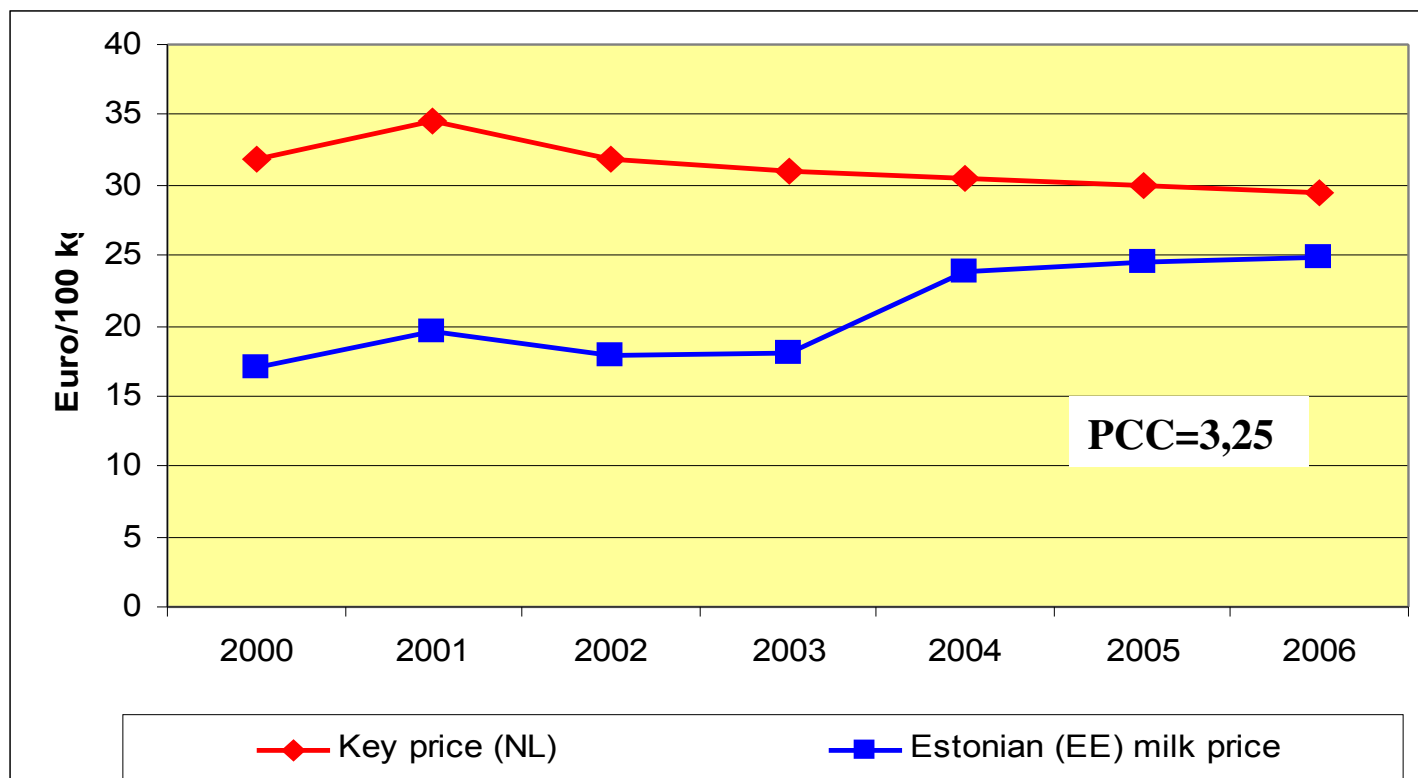
Methodology

Competitive estimations taking into account the speed of price convergence:

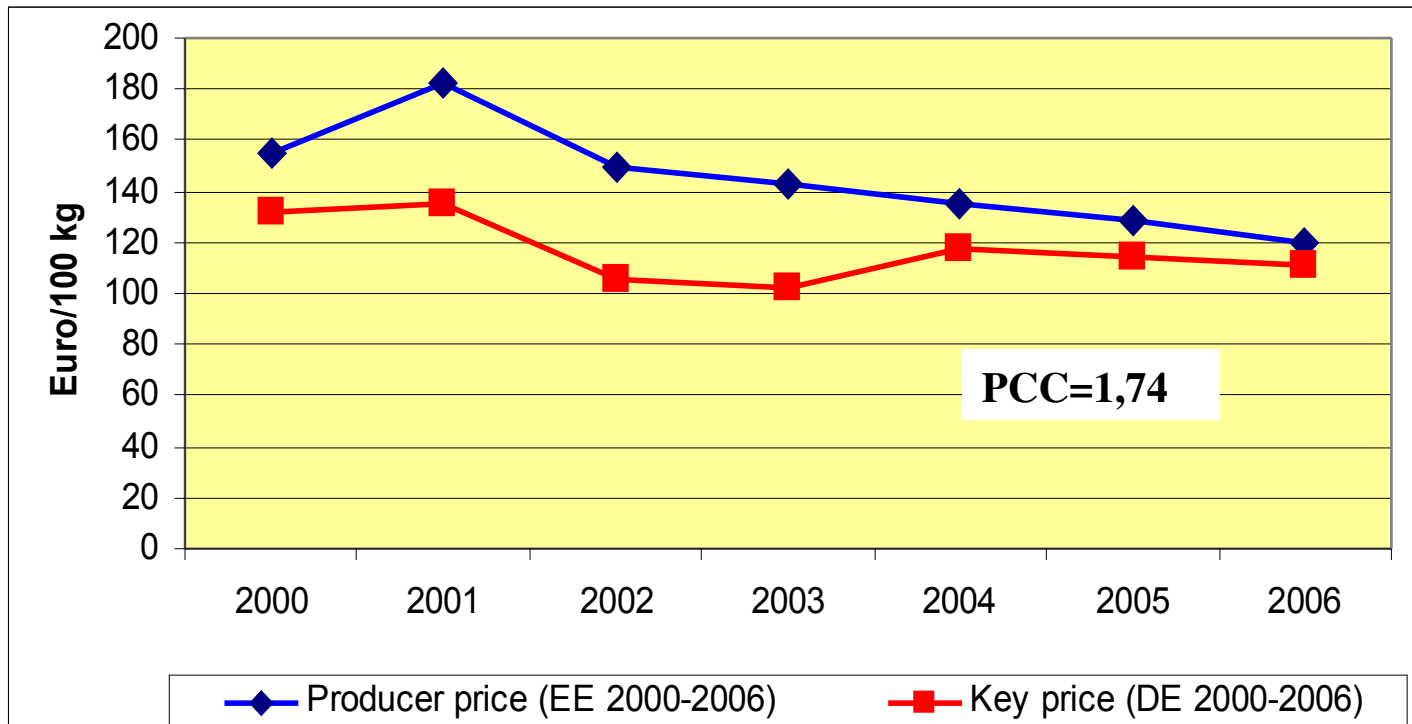
If:

- PCC > 1** the indication to price convergence;
- PCC < 1** the indication to price divergence;
- PCC < 0** special cases.

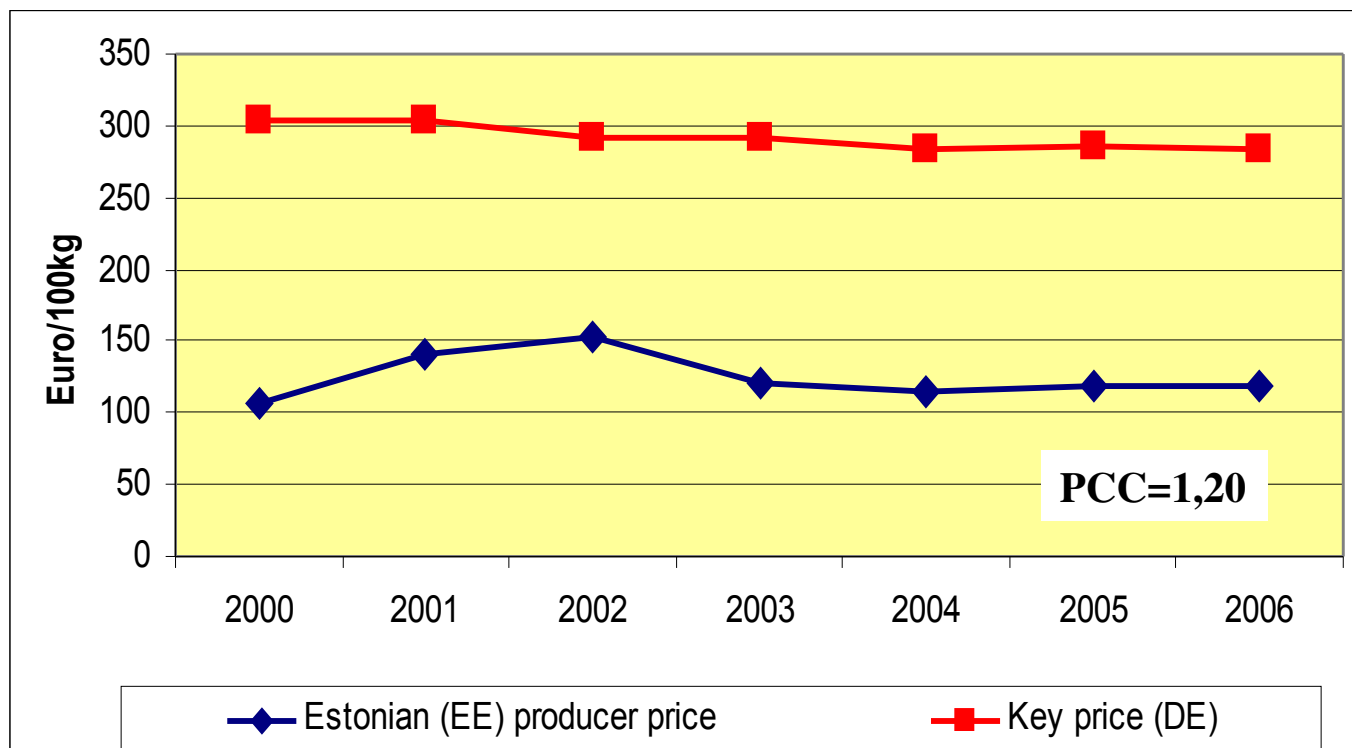
MILK



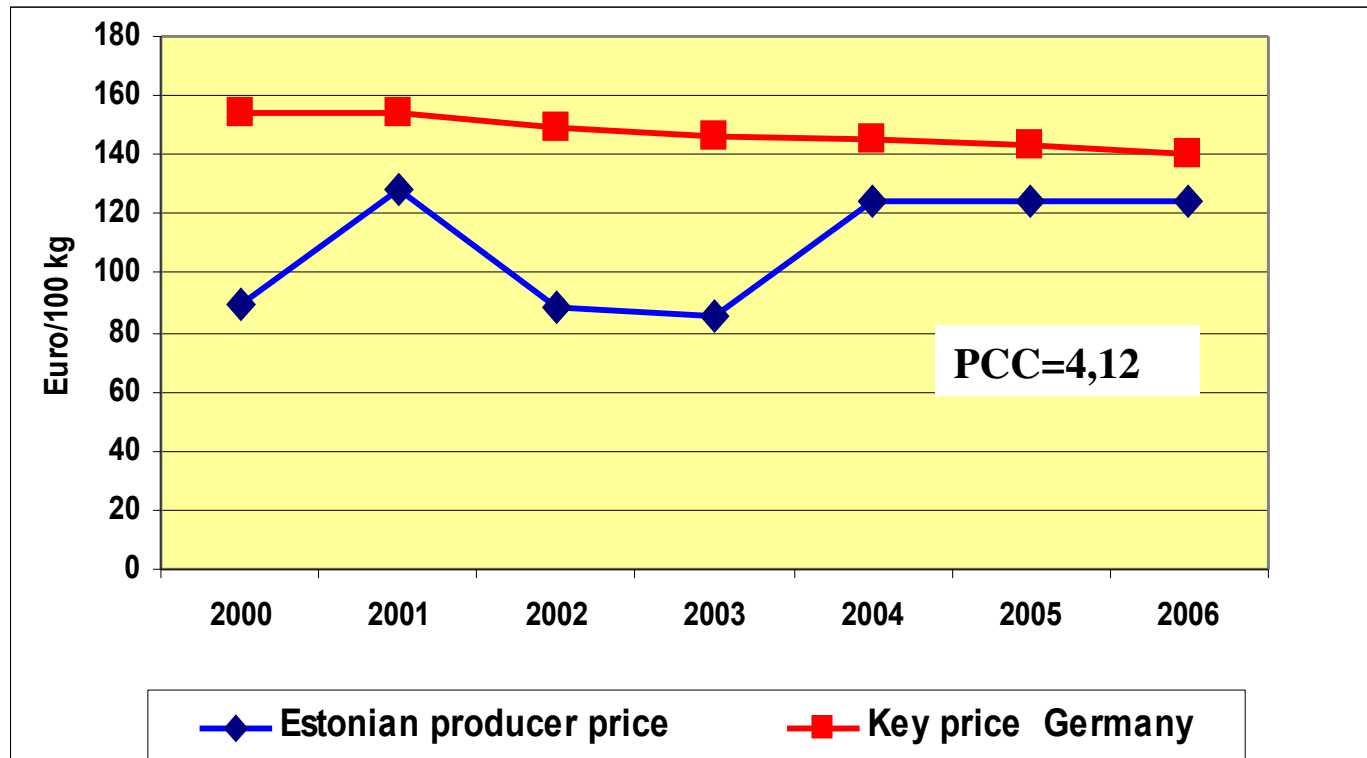
PIGMEAT



BEEF



POULTRY



COMPETITIVENESS OF MAIN FOOD PRODUCTS ON THE INTERNATIONAL MARKET

DEFINITION

Competitiveness is a ability to produce the goods and services on the place, in time and price which is better than other suppliers and must to cover at least the opportunity costs.

Methodology

Revealed Relative Comparative Advantage Export Index (RXA)

The RXA is defined as a country's export share relative to all other countries export of the specific product category.

Revealed Relative Import Penetration Index (RMP)

The RMP is defined as a country's import share relative to all other countries imports of the specific product category.

Revealed Relative Trade Advantage Index (RTA)

This index gives the difference between the RXA and RMP.

Methodology

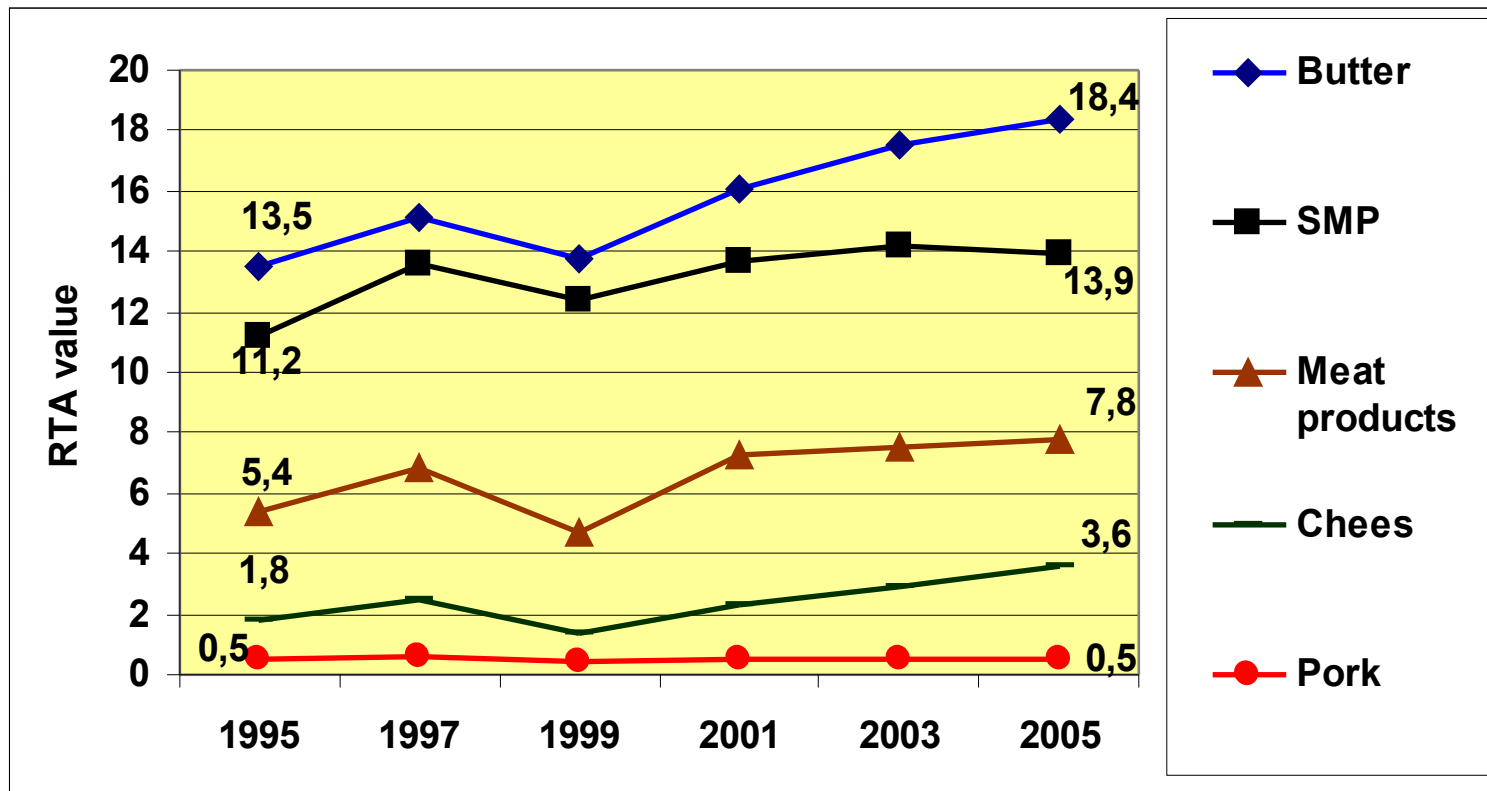
The competitive advantage (RTA) revealed by this indicator is implicitly weighted by the importance of the relative export and the relative import advantage.

If:

RTA>0 the goods have certain competitive advantages;

RTA<0 the goods have not competitive advantages.

RTA dynamics in 1995-2005



CONCLUSIONS

- Taking into account the speed of price convergence producers quite long time will maintain his competitiveness in beef and pigmeat sectors.
- Fast price convergence in poultry and milk sectors. Maintaining same speed of price convergence producers will reach the key levels during the nearest years
- Last investigations of trade proved that Estonia maintain the competitive advantages on the field of processed milk and meat products.

**THANK YOU FOR YOUR
ATTENTION**