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Serbian Academy of Sciences and Arts
Board for Village



Serbian Association
of Agricultural Economists

AGRI-FOOD SECTOR IN SERBIA

STATE AND CHALLENGES

Edited by

Academician Dragan Škorić
Danilo Tomić
Vesna Popović

Belgrade, 2013

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CONTENTS

INTRODUCTION	1
---------------------------	---

AGRICULTURE OF THE WESTERN BALKAN COUNTRIES IN GLOBALISATION AND LIBERALISATION PROCESSES	9
--	---

Danilo Tomić
Zoran Njegovan

INTRODUCTION	9
1. RESULTS OF THE RESEARCH AND DISCUSSION	10
1.1. General Economic Conditions in Serbia and Western Balkan Countries	10
1.2. General Economic Indicators.....	11
1.3. Resource Indicators	18
1.4. Indicators of Agricultural Production	22
1.5. Value Indicators of Agriculture	24
CONCLUSIONS	27
ACKNOWLEDGEMENT	29
REFERENCES	29

CHANGES IN THE STRUCTURE OF FARMS AND PRODUCERS ASSOCIATIONS IN THE REPUBLIC OF SERBIA	31
---	----

Miladin M. Ševarlić

INTRODUCTION	31
1. CHANGES IN THE LAND SIZE STRUCTURE OF FAMILY FARMS	34
2. LAND SIZE STRUCTURE OF FARMS BELONGING TO LEGAL ENTITIES AND ENTREPRENEURS	41
2.1. Land size structure of agricultural enterprises	42
2.2. Land size structure of agricultural cooperatives.....	46
2.3. Land size structure of farms belonging to other legal entities and entrepreneurs ..	50
3. CAPACITIES OF ANIMAL PRODUCTION AND LEVEL OF EQUIPPING WITH TRACTORS AT FARMS	53
4. ASSOCIATIONS OF AGRICULTURAL PRODUCERS	55
4.1. Associations of farmers – owners of family farms.....	56
4.2. Associations of agricultural enterprises	58
4.3. Cooperative alliances.....	59
CONCLUSIONS	63
REFERENCES	68

**DEVELOPMENT CHARACTERISTICS OF AGRICULTURAL
SECTOR IN SERBIA 73**

Milivoj Gajić
Stanislav Zekić

INTRODUCTION	73
1. LONG-TERM DEVELOPMENT TRENDS	74
2. DEVELOPMENT CHARACTERISTICS OF AGRICULTURE.....	76
2.1. Structure and Dynamics of Agricultural Production	77
2.2. Agricultural Production and Productivity	78
2.3. Export Performances of the Agri-food Sector.....	81
3. DEVELOPMENT CHARACTERISTICS OF AGRO-INDUSTRY	84
CONCLUSIONS	87
ACKNOWLEDGEMENT	89
REFERENCES	89

**DIFFUSION OF KNOWLEDGE AND INNOVATIONS IN
SERBIAN AGRICULTURE..... 91**

Jovana Čikić
Živojin Petrović

INTRODUCTION	91
1. FAMILY FARMS – FRAMEWORK FOR RESEARCHING POSSIBILITIES AND OBSTACLES IN LABOUR MODERNIZATION IN AGRICULTURE.....	92
2. PRODUCTION OF KNOWLEDGE FOR CONTEMPORARY AGRICULTURE – THE ROLE OF R&D IN AGRICULTURAL SCIENCES IN MODERNIZATION OF SERBIAN AGRICULTURE	95
3. AGRICULTURAL EXTENSION SERVICE IN SERBIA – CHARACTERISTICS AND POSSIBLE DEVELOPMENT PATHS	105
4. SOCIOLOGICAL AND RELATED COMPREHENSIONS OF THE DIFFUSION OF KNOWLEDGE AND INNOVATIONS IN SERBIAN AGRICULTURE – CURRENT STATE AND DEVELOPMENT PATHS OF SCIENTIFIC THOUGHT	109
CONCLUSIONS	111
ACKNOWLEDGEMENT	114
REFERENCES	114

LONG-TERM STRUCTURAL CHANGES IN THE AGRARIAN MARKET IN SERBIA (1990-2010): CYCLICALITY OF PRODUCTION, OLIGOPOLISTIC OF DEMAND, EXTENSIVE GROWTH OF EXPORT 119

Milan Milanović

INTRODUCTION	119
1. TRENDS OF GROWTH OR FALL IN TOTAL AGRICULTURE.....	121
1.1. The Alternateness of the Annual Growth and Fall.....	122
1.2. The Sinusoid of Soil Cultivation and the Falling Parable of Livestock Breeding	123
2. SECTORAL CHARACTERISTICS OF OSCILLATIONS IN PRODUCTION.....	125
2.1. Plant production	125
2.2. Livestock production	126
3. COMPETITION AND THE CHARACTERISTICS OF THE STRUCTURE OF THE AGRARIAN MARKET IN SERBIA	127
3.1. Competition of Offer/Producers	128
3.2. The Oligopsonistic Structure of Processing	128
3.3. The Oligopsony of Trade, Especially of Hypermarkets	129
3.4. The Inefficient Competition Protection System.....	130
3.5. Undeveloped Market Institution	131
3.6. Unregulated Trade in the “Green Marketplace”	132
4. GROWTH OF AGRARIAN EXPORT TOGETHER WITH RADICAL STRUCTURAL EXTENSIFICATION	133
4.1. The Dynamics and the Coverage of Import by Export.....	134
4.2. The Agrarization of Total Export	135
4.3. The Extensification of the Export Structure.....	136
CONCLUSIONS	138
ACKNOWLEDGEMENTS	140
REFERENCES	141

FOREIGN TRADE EXCHANGE OF AGRO-INDUSTRIAL PRODUCTS OF SERBIA 143

Branislav Vlahović

Anton Puškarić

INTRODUCTION	143
1. SOURCES OF DATA AND METHODOLOGY OF RESEARCH	143
2. RESEARCH RESULTS.....	144

2.1. Export of Agro-Industrial Products from Serbia	144
2.1.1. Export of Agro-Industrial Products per Commodity Groups and Sectors	146
2.1.2. Regional Determination of Export of Agro-Industrial Products	149
2.1.3. Export Expansion Factors	155
2.2. Import of Agro-Industrial Products of Serbia	156
2.2.1. Import of Agro-Industrial Products by Commodity Groups and Sections	157
2.2.2. Regional Origin of Import of Agro-Industrial Products	159
2.3. Foreign Trade Exchange Balance of Agro-Industrial Products	162
CONCLUSIONS	164
ACKNOWLEDGEMENTS	165
REFERENCES	166

SUSTAINABLE MANAGEMENT OF LAND, WATER AND BIODIVERSITY IN AGRICULTURE UNDER CLIMATE CHANGE 167

Vesna Popović
Zorica Vasiljević

INTRODUCTION	167
1. SUSTAINABLE LAND MANAGEMENT	170
1.1. Soil and Land Quality	170
1.2. Land Use and Land Use Change	172
1.3. Land Degradation	175
2. INTEGRATED WATER RESOURCES MANAGEMENT	178
2.1. Water Resource Availability	178
2.2. Water Quality	179
2.3. Irrigation and Drainage	182
3. AGROBIODIVERSITY AND LANDSCAPE PROTECTION	184
3.1. Genetic Resources in Agriculture	184
3.2. High Nature Value Farmland	186
4. CLIMATE CHANGE AND AGRICULTURE	187
4.1. Basic Climate Characteristics	187
4.2. Climate Change Trends	188
5. POLICIES OF SUSTAINABLE NATURAL RESOURCES MANAGEMENT IN AGRICULTURE UNDER CLIMATE CHANGE	189
CONCLUSIONS	193
ACKNOWLEDGEMENTS	196
REFERENCES	196

TERRITORIAL CAPITAL OF RURAL AREAS: AN EXAMPLE OF ANALYSIS OF THE POTENTIAL FOR RURAL TOURISM DEVELOPMENT IN SERBIA	201
--	-----

*Natalija Bogdanov
Dejan Janković*

INTRODUCTION	201
1. TERRITORIAL APPROACH TO RURAL DEVELOPMENT	204
2. A CONCEPT OF RURAL TERRITORIAL CAPITAL.....	207
3. TERRITORIAL CAPITAL OF RURAL AREAS AS POTENTIAL FOR DEVELOPMENT OF RURAL TOURISM IN SERBIA	212
3.1. Serbia – Diversification of Rural Territory	212
3.2. Methodology of Estimating the Territorial Capital of Rural Regions	218
3.3. Results and Discussion	218
CONCLUSIONS	227
ACKNOWLEDGEMENT	230
REFERENCES	230

POLICY OF SUPPORT TO AGRICULTURE AND RURAL DEVELOPMENT	233
---	-----

Koviljko Lovre

INTRODUCTION	233
1. AGGREGATE SUPPLY AND DEMAND FOR AGRICULTURAL PRODUCTS AND FOODSTUFFS.....	234
2. THE ECONOMIC POSITION OF AGRICULTURE	240
3. EVALUATION OF THE AGRARIAN POLICY IN SERBIA	245
CONCLUSIONS	256
ACKNOWLEDGEMENT	257
REFERENCES	258

INDEX OF TERMS	259
-----------------------------	-----

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FOREIGN TRADE EXCHANGE OF AGRO-INDUSTRIAL PRODUCTS OF SERBIA

Branislav Vlahović, Anton Puškarić

INTRODUCTION

Export of agricultural products is the basis of development of agriculture, and therefore the economy as a whole, which is why it is of great importance from the standpoint of national economy. Trade with foreign countries is carried out in the framework of the overall development of the economy, which is determined by the economic system and the overall socio-economic relations. Export is conditioned, first of all, by the scope and dynamics of domestic agricultural production, amount of consumption, the level of incentives from the state, as well as customs and other non-tariff restrictions of importing countries. Serbia produces about 10 million tons of agricultural products worth more than five billion dollars (2011) at 4.1 million hectares of arable farmland.

The main objective of this study is to look at exports, imports, regional destination, as well as foreign trade balance of agricultural products of the Republic of Serbia. The aim was also to analyse the factors that led to the demonstrated results, and point to the basic guidelines of expansion of the same in the future.

1. SOURCES OF DATA AND METHODOLOGY OF RESEARCH

The basic source of data is statistical documentation of the Republic Statistical Office – *Commodity exchange with foreign countries per sectors and sections* for the period from 2004 to 2011. The analysis includes sectors of primary agricultural products and products of manufacturing industry, namely sectors of Food and live animals (“0”), Beverages and tobacco (“1”), a part of the sector of Crude materials, inedible, except fuels (“2”), and sector of Animal and vegetable oils, fats, and waxes (“4”), according to the Standard International Trade Classification (SITC). The method of *desk research* was applied in the paper. It is based on the use of available data that were systematised in the paper using standard statistical-mathematical methods.

2. RESEARCH RESULTS

2.1. Export of Agro-Industrial Products from Serbia

An average export of agro-industrial products from the Republic of Serbia during the analysed period made 1.7 billion US dollars. It records significant increase under the average rate of 18.66% per annum with the emphasised variations of up to 38.82%. During the initial year, it made 800 billion dollars only to reach the value of 2.7 billion dollars in the last analysed year. Export per capita makes 375 dollars and almost two thousand dollars per active farmer (2011).

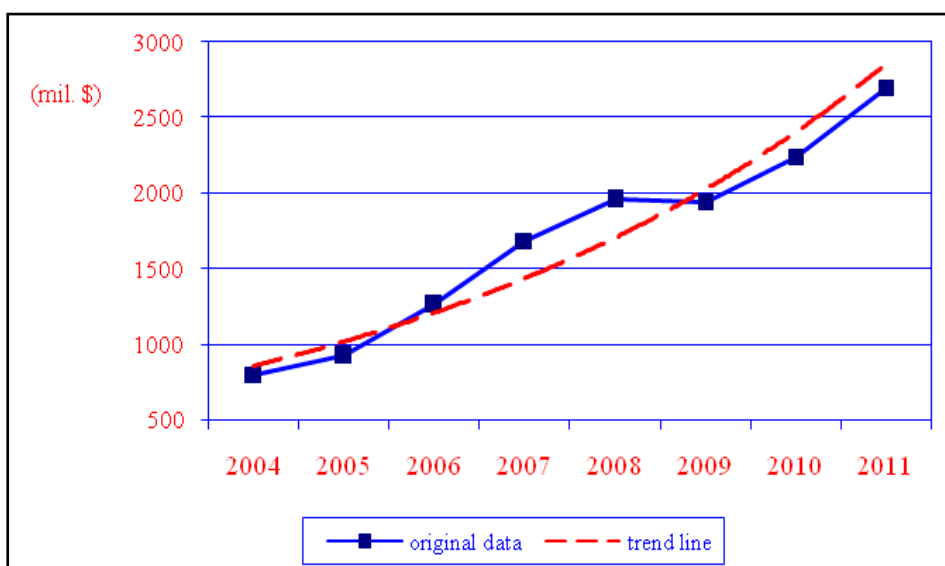


Figure 1: Trends in export of agro-industrial products from the Republic of Serbia (million US dollars)

Source: [12]

There is no doubt that the achieved export results are significant. The reasons are many and they reflect, among other things, the overall state of agro-industry. Favourable results of agro-industry of Serbia in foreign trade were achieved thanks to the benefits of preferential status on the market in the European Union Member States, the achieved liberalisation in trade with the western Balkan countries (CEFTA) and market trends that are still present at the global market [1]. The Republic of Serbia has quite a modest share in the international trade with agro-industrial products. The structure of the world exports it participates with 0.10%, while its European share accounts for 0.20%. Because of small

importance in international trade, it is in a position to adapt to the conditions of the international market, namely it can affect very little the trends and characteristics of the exchange. Agro-industrial products account for 22% in the structure of overall export. Export can be increased considering the potentials present in agro-industry (land, human resources, agro-ecological conditions, processing industry, etc.) and current situation at the international market. The factors that determine export can be divided into two groups:

a) External (macroeconomic factors) – factors of the international environment:

- The closed nature of certain markets - regional economic groups (EU, NAFTA, ASEAN, APEC, etc.). They significantly restrict the import from the so-called "third" countries.
- The existence of significant barriers in export - in the form of technical barriers, such as ISO and HACCP standards, and quantitative, customs and other restrictions as the primary measures of agricultural protectionism (quotas, quantitative restrictions, technical barriers, etc.).
- Serbia is not a member of the World Trade Organization - this reduces its competitiveness on the basis of higher prices based on higher customs duties. It should, however, be noted that WTO membership requires either abolishing of import and export quotas or, where it is possible to apply them as an exception under certain conditions, bringing them in line with the international rules and subjecting their implementation to international supervision.

b) Internal – factors of domestic environment:

- Primary agriculture is in a bad economic situation - it is currently not in the position to increase production more seriously and thus create the quality quantities of products for export.
- Lack of long-term, consistent, and clearly defined export policy - in the field of agriculture and food industry. Namely, the lack of long-term export strategy in relation to current and potential competitors.

- Relatively low labour productivity in agriculture and food industry - export is price and quality non-competitive at the international market.
- Lack of operating capital – necessary to increase primary agricultural production, and preparation of export and import. This is a chronic shortage of domestic agro-industry, which is an important limiting factor of exports.
- Low level of incentives for export of agricultural and food products – therefore, our products, as by the rule, are not cost-competitive at the international market. Incentives will have to be abolished along with the accession into the WTO.
- Relatively poor organisation of appearance at the international market. Insufficient organisation and flexibility in the performance of companies and conquering of new markets.
- Present oscillations in the quality of export products - this destroys the acquired reputation of our country, etc. (bad examples are plum brandy, raspberry, etc.).

2.1.1. Export of Agro-Industrial Products per Commodity Groups and Sectors

The export structure is dominated by the commodity sector of Food and live animals ("0") with an average value of 1,337 million dollars, accounting for 79.1% of share and with a significant growth trend under the rate of 17.44%. The analysis of the structure of export of the above-mentioned sector indicates that section of Vegetables and fruit is the most important with the average export of the 427 million dollars that accounts for a quarter (25.3%) of the total export, namely that it has the dominant share. Export of Vegetables and fruit recorded significant growth trend under the rate of 14.8%. In the structure of export, this section is followed by cereals and cereal preparations with the value of 384 million dollars, namely the share of 22.7%. Export of cereals recorded a remarkable growth rate of 28.3%. The following in a line is the section of Sugars, sugar preparations and honey with 177 million and the share of 10.5%. This section recorded a moderate export growth rate of 3.1%. The above-mentioned sections have the dominant position in the export of agricultural products of the Republic of Serbia with more than half of share (58.5%).

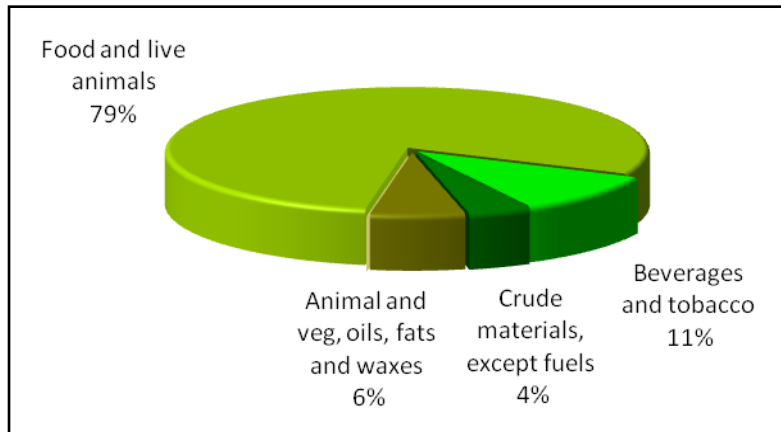


Figure 2: Structure of export of agro-industrial products per commodity sectors from Serbia (2004-2011), in %

Source: [12]

We can also notice a relatively small share of meat and meat preparations with the average export of only 62 million dollars, namely with the share of 3.7%. The reasons for such more than a modest export can be found, primarily, in the crisis of the cattle breeding production, which has been manifested by the reduced overall meat production. In addition, there was also the impact of relatively high production costs, as well as of exceptional competition at the international market, which resulted with reduced competitiveness. All commodity sections within the analysed commodity group record the growth trend when it comes to export. The most intensive growth was recorded by the commodity section of live animals with the rate of 82.17%. The increase of growth is encouraging and it may represent an important driving engine of agrarian production in the Republic of Serbia.

The second place belongs to the commodity sector of beverages and tobacco (“1”) with the average value of 175 million dollars, the share of 10.4%, and significant growth trend under the rate of 28.5%. The analysis of the export structure of the above-mentioned sector shows that most important export section is the one of Beverages with the average export of 142 million dollars that accounts for 8.4% of the total export, namely the dominant share. Export records a significant growth trend under the rate of 25.4%. Export of tobacco and tobacco manufactures is significantly smaller and it amounts to 34 million dollars with the share of 2% (Tab. 1).

<i>Sector/Section</i>	<i>Average value (mill. \$)</i>	<i>Share (%)</i>	<i>Change rate (%)</i>	<i>CV (%)</i>
Export-total	1,690	100.0	18.66	38.82
Food and live animals	1,337	79.1	17.44	36.59
Live animals	35	2.1	82.17	90.53
Meat and meat preparations	62	3.7	11.32	40.38
Dairy products and birds' eggs	51	3.0	37.61	56.26
Fish (not marine mammals), crustaceans, molluscs and aquatic invertebrates, and preparations thereof	4	0.2	27.56	52.30
Cereals and cereal preparations	384	22.7	28.29	53.63
Vegetables and fruit	427	25.3	14.76	33.22
Sugars, sugar preparations and honey	177	10.5	3.06	10.14
Coffee, tea, cocoa, spices, and manufactures thereof	69	4.1	12.31	27.49
Feeding stuff for animals (not including unmilled cereals)	54	3.2	28.31	54.92
Miscellaneous edible products and preparations	73	4.3	14.21	30.40
Beverages and tobacco	175	10.4	28.46	51.15
Beverages	142	8.4	25.42	47.65
Tobacco and tobacco manufactures	34	2.0	46.50	68.20
Crude materials, except fuels	71	4.2	15.65	41.63
Hides, skins and furskins, raw	22	1.3	9.66	34.92
Oil-seeds and oleaginous fruits	25	1.5	29.89	72.64
Crude animal and vegetable materials, n.e.s.	24	1.4	8.47	21.62
Animal and vegetable oils, fats and waxes	106	6.3	25.33	55.42
Animal oils and fats	2	0.1	22.52	54.19
Fixed vegetable fats and oils, crude, refined or fractionated	99	5.8	26.85	57.45
Animal or vegetable fats and oils, processed	6	0.4	7.57	32.12

Table 1: Export of agro-industrial products from Serbia (2004-2011), million US dollars

Source: [12]

Export of the commodity sector of **Animal and vegetable oils, fats and waxes** ("4") made 106 million dollars on the average, with the share of 6.3% in the overall export. It achieved a significant increase under the rate of 25.3% per annum. Within the above-mentioned commodity sector, the dominant share belongs to the commodity section of Crude animal and vegetable materials with the value of 99 million dollars and the share of 5.8% in the total export. Export recorded a significant growth rate trend of 26.8% per annum. Other commodity sectors have negligible small share.

The minimum share in export belongs to a part of the commodity sector of Crude **materials, except fuels** ("2") with the average value of 71 million dollars and the share of 4.2% in the overall export. It achieved the growth rate trend of 16.6% per annum. Three commodity sections have an equal share within this commodity sector. The largest share belongs to the commodity section of Oil-seeds and oleaginous fruits with the value of 25 million dollars and the share of 1.5% in the total export. Export recorded a significant growth rate trend of 29.9% per annum. Other commodity sectors have a slightly smaller share but with a significantly lower export growth rates.

It may be noted that the export concentration coefficient is relatively low, similar to the majority of countries in the region. That does not describe a broad range of our export economy and its favourable structure but, above all, the lack of competitive products. There are only a few commodity groups that have a significant share, and that, as a rule, refers to products of lower finalisation phase (fruit, wheat, corn, fresh fruit, sugar ...), etc. [2].

2.1.2. Regional Determination of Export of Agro-Industrial Products

The analysis of regional determinants of export of agro-industrial products shows that the highest value of export is oriented towards the European Union Member States since it amounts to 799 million dollars, which accounts for almost a half of the total export (47.3%). During the analysed period, export has grown from 428 million dollars during the first year to 1.3 billion during the last year, namely under the intensive annual rate of 17.17%. The European Union represents the most important market for the Republic of Serbia. The most important section

in the structure of export include Vegetables and fruit that amounts to 298 million dollars on the average and accounts for more than a third (37.3%) of the total export into the above-mentioned economic group. It is followed by Cereals and cereal preparations with 183 million dollars (22.9%), and Sugars, sugar preparations, and honey with 155 million dollars (19.4%). The commodity section of Fixed vegetable fats and oils, crude, refined or fractionated with 56 million dollars and the share of 7% is also significant.

European Union is the most important economic regional group of countries with the dominant impact at the international market of agricultural-food products. International trade of Serbia with the above-mentioned group of countries is carried out within highly complex economic as well as political conditions. Our economic linking is necessary since it represents the condition for faster development and inclusion into international trade [3].

The Stabilisation and Association Agreement (SAA) and Interim Trade Agreement (ITA) as a part of SAA regulating the issues of mutual trade were signed in 2007. In 2008, the National Parliament of the Republic of Serbia ratified both Agreements. Since February 1st, 2009, the Council of the European Union passed the Decision that the European Union shall commence with the bilateral implementation of the ITA on a temporary basis while the Agreement came officially into force on February 1st, 2010. The process of ratification of the Stabilisation and Association Agreement (SAA) in the EU Member States started by the middle of 2010 [4]. The European Union abolished customs duties and fees as of the date of coming of the Agreement into force with the same effect on import of agricultural products originating from Serbia, except for import of live bull calves and young beef (covered within the tariff numbers 0102, 0201, and 0202 of the combined nomenclature), sugar (tariff numbers 1701, and 1702), and wine (tariff number 2204), while customs duties and levies charged on import of products covered by tariff heads 07 (vegetables) and 08 (fruit) are abolished so that only ad valorem customs rate is kept for the same (Art. 11 of the ITA). Customs duties on import of agricultural products from Serbia into the EU contained in the Annex I to the Protocol 1 of the Agreement have been set at a zero level [5].

Since preferential access to a certain market was first granted to Serbian products, Serbia has achieved significant growth rates of foreign trade. This has resulted with an increase in the indicators of openness of

domestic economy, which indicates the possibility of a country to make use of its comparative advantages. According to the value of this coefficient, Serbia is worst ranked in the region, and thus it can be concluded that it is necessary to achieve a higher degree of openness to encourage specialisation and economies of scale and also facilitate access to contemporary technologies through foreign direct investments, which are undoubtedly important for the development of the country [6]. Therefore, the SAA that was signed and ratified affected significantly the export of agro-industrial products from of Serbia. Higher export of agro-industrial products to the EU market requires the achieving of compliance with a series of horizontal and vertical rules contained in the EU Directives.

With the implementation of the Interim Trade Agreement, Serbia got a possibility of diagonal accumulation of origin of goods in trade with the EU, with the countries of the CEFTA region, Turkey and the EFTA countries (Norway, Switzerland, Iceland, and Lichtenstein), which represents a new impulse to the development of trade and investments in the region.

Slightly lower exports is directed to the countries of the CEFTA group (Bosnia and Herzegovina, Croatia, FYR Macedonia, Montenegro, Albania, Moldova, and UNMIK - Kosovo), and it amounts to 761 million, or 45% of share. Export to the above-mentioned economic group grows more intensively as compared to the European Union (19.91%). During the analysed period, export has increased from 315 million dollars in its initial, to 1.1 billion in the last year. CEFTA agreement was concluded on November 9th, and signed on December 19th, 2006. All countries have ratified and they implement the Agreement. For Albania, Montenegro, FYR Macedonia, Moldova, and UNMIK, the Agreement entered into force on July 26th, 2007. For Croatia, it entered into force on August 22nd, for Serbia on October 24th, and for and Bosnia and Herzegovina on November 22nd, 2007. The implementation of CEFTA in 2006 and the creation of a free trade zone in the Region, should provide significant advantages for signatory countries individually and the region as a whole. The main function of the CEFTA Agreement relates primarily to acceleration of the process of accession to the WTO and the EU. The economic advantages are reflected in the opportunities brought about by free trade liberalisation: free movement of people, goods and capital, a multiple increase in trade exchange, harmonisation of economic development,

creation of a much larger market, raising the production co-operation onto a higher level, etc. [7]. Most important section in the structure of export is the section of Cereals and cereal preparations with the value of 186 million dollars, accounting for almost a quarter (24.43%) of the total export to the above-mentioned economic group. It is followed by Beverages with 126 million dollars (16.6%) and Vegetables and fruit with 58 million dollars (7.6%). Meat and meat preparations with 53 million dollars and the share of 6.9% are also an important commodity section.

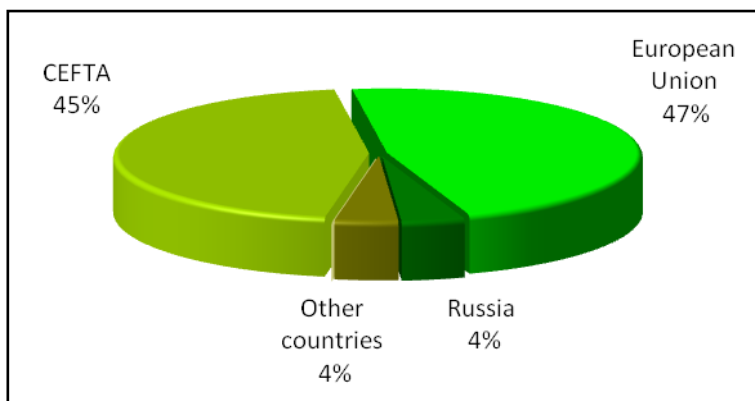


Figure 3: Region determination of export of agro-industrial products from Serbia (2004-2011), %
Source: [12]

In designing the strategy of export to the international market, the advantage should be given to the European countries. In this respect, the co-operation should be established with the Balkan countries that we are linked with based on several decades' long orientation and compatibility of economies of countries of the former SFRY [8]. If economic co-operation with the countries of former SFRY gets recovered under a faster pace, the increase of our export could be expected. As the global market is still relatively closed, many domestic manufacturers see their perspective in export at these markets. This confirms the fact of previous mutual entanglement of production within the former Yugoslavia. [9]

The achieved export to the Russian Federation is far behind the above-mentioned group, and it amounts 69 million dollars on the average, which represents only 4.1% of the total export. Export to the above-mentioned country has recorded the most dynamic growth in relation to others at a rate of 39.42%. In the first year, it was 16 million, and in the last year, it reached 165 million dollars. Most important section in the structure of

exports is the section of Vegetables and fruit with 52 million dollars, accounting for three-quarters (75.7%) of the total export to that country. It is followed by Cereals and cereal preparations with 3.8 million dollars (5.5%) and Miscellaneous edible products, with 3.1 million dollars (4.5%). Crude animal and vegetable materials are also significant commodity section with 2.4 million dollars and the share of 3.5%. The Free Trade Agreement between Russia and Serbia (formerly FRY) was signed on August 28th, 2000. According to it, most of the goods are exempt from customs duties that used to account for around 25% on Serbian goods. Serbia is the only country in Europe, apart from some members of the Commonwealth of Independent States, which has signed a Free Trade Agreement with Russia. In accordance with the WTO principles, the Agreement stipulates that customs duty amounting to 1% is charged to the goods for which it can be shown they originate from Serbia (which have more than 50% of the content from Serbia) when destined for the Russian market.

Export that is directed to other countries amounts to 61 million dollars, which represents only 3.6% of the total export from the Republic of Serbia.

Analysed by countries, the largest export is directed to Bosnia and Herzegovina, which absorbed the agro-industrial products valued at 337 million dollars, and the share of 19.9% (*Histogram 1*). The main commodity sections are: Cereals and cereal preparations, accounting for one-third of share, and Beverages that account for one-quarter of share. The major export items are beer, corn, biscuits, and wafers. With the above-mentioned country, there is a Free Trade Agreement that has been in force since June 1st, 2002, while full liberalisation has been implemented since April 1st, 2004 taking into account that BiH introduced unilaterally on that date various restrictions on import of certain agricultural and food products from Serbia.

The second most important export partner is Montenegro with 312 million dollars, or the share of 18.5%. The main commodity sections are Beverages, and Cereals and cereal preparations. The most important export products are mineral water, flour, biscuits, and wafers. The third place is occupied by the FYR Macedonia with 129 million dollars, namely the share of 7.6%. The most significant commodity sections are Cereals and cereal preparations, and Meat and meat preparations. The Trade Agreement with the FYR Macedonia was signed in 1996, and by

the end of 2005, it was transformed into a Free Trade Agreement, and as such, it has been in force since January 1st, 2006. Germany is at the fourth place with almost identical export as the FYR Macedonia of 129 million dollars. The main commodity sections as Vegetables and fruit, and Cereals and cereal preparations. Germany has traditionally been an important partner in the export of Serbian agro-industrial products. Italy is at the fifth place with 119 million dollars and the share of 7%. The main commodity sections are Sugars, sugar preparations and honey, and Vegetables and fruit.

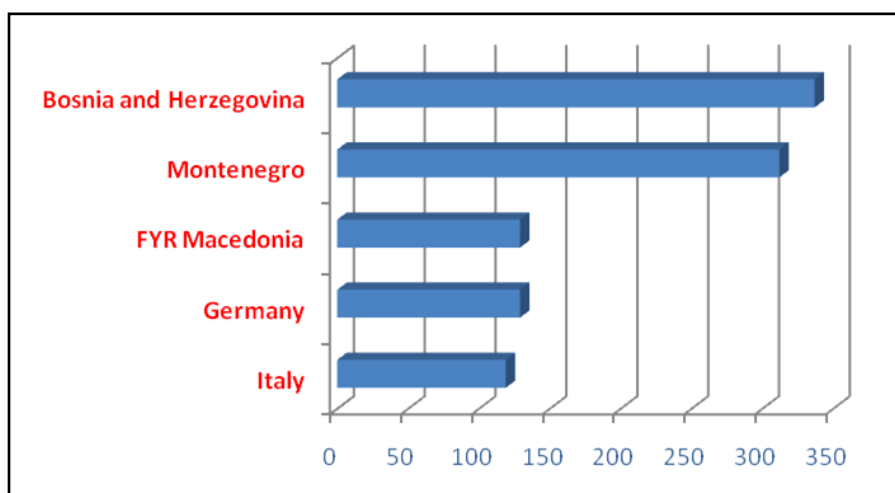


Figure 4: Countries to which the largest export of agro-industrial products from Serbia is recorded (million US dollars), 2004-2011

Source: [12]

The first five countries in the structure of export dominate with the share of 60.7%. Important partners are also Hungary, Greece, Croatia, and Russia. Other countries have absorbed almost 40% of the total export. In 2009, the Republic of Serbia signed a Free Trade Agreement with the European Free Trade Association (EFTA), the members of which are Island, Lichtenstein, Norway, and Switzerland. The Agreement, which was adopted at the Ministerial Conference of EFTA came into force in April 2010, will enable export of Serbian products to the above-mentioned market without customs duties once it gets ratified by the Parliament of the Republic of Serbia. Our products have to be competitive in terms of prices, quality, and range compared to food manufacturers from other countries. This implies export, market oriented, profitable, production programmes [3].

2.1.3. Export Expansion Factors

It is necessary to promote the increase of production that will be export oriented, in accordance with the needs of concrete market segments. An important attention should be paid to production of healthy safe, ecologically clean food for which we have the potentials and which has its buyers in the most developed countries of the European Union. The precondition for this, among other things, is to conduct the research of foreign markets in the fields of demand, amount of the consumers' income, activities of competition, etc. It is necessary to work continuously on the acceptance of our country in all important international institutions, in particular the WTO since it will significantly improve and enhance overall export. It is necessary for export product to be adapted to the standards of the importing countries, primarily of the European Union, and, at the same time, to adapt the export policy so that the protectionism in agriculture becomes less emphasised. For the purpose of fastest possible return of agricultural products onto the world market all the activities aimed at that goal can be classified in three levels: state level, level of diverse associations (chambers, business associations), and level of companies (economic entities).

Measures of economic policy in this field need to observe all specific characteristics of agricultural production (slow capital return, etc.). At the same time, they need to be in the function of support to its export orientation. It is necessary to implement appropriate measures to increase and stabilise production and create in such a way stable export surpluses, which will satisfy the needs of foreign buyers in that respect. This is not an easy task, but it is a necessary one if we wish to emerge onto the international market. That requires a marketing approach to export, which implies satisfying of the needs of foreign consumers, with fulfilment of positive financial results and implementation and optimum combining of all marketing MIX instruments.

Aiming at increasing export it is necessary to upgrade our agriculture and food industry, change the behaviour and opinions of economic entities in agro-industry. Adapting to the norms and standards of the importing countries and implementation of the marketing concept of doing business make the imperatives. Production has to be directed toward the needs of consumers in certain countries. In addition, it is necessary to design the export policy in the way that measures of agricultural protectionism

are less expressed. Special attention should be paid to increasing productivity, competitiveness, and education of agricultural producers [10].

2.2. Import of Agro-Industrial Products of Serbia

The average import of agro-industrial products of Serbia during the analysed period amounted to 1,108 million US dollars. Import has recorded growth at the rate of 7.80%, with annual variations of 23.6%. During the first year of the analysed period import amounted to 856 million US dollars, only to achieve the value of 1.4 billion dollars during the last analysed year. It is evident that the import rate is far lower than the export rate. Global characteristic of import is the fact that it has been carried out in a quite uncontrolled and chaotic way, which was largely the result of a relatively high level of liberalisation. Therefore, it can be concluded that protection of our agriculture and food industry from competition from abroad is exceptionally poor. Liberalisation of import represents one of necessary steps aimed at approximation of our country to the rules valid within the World Trade Organisation. More expressed liberalisation would result with tightening of competition and increasing of the product assortment at the domestic market. However, the fact is that our economic entities in agro-industry are not ready yet to face a strong competition from abroad.

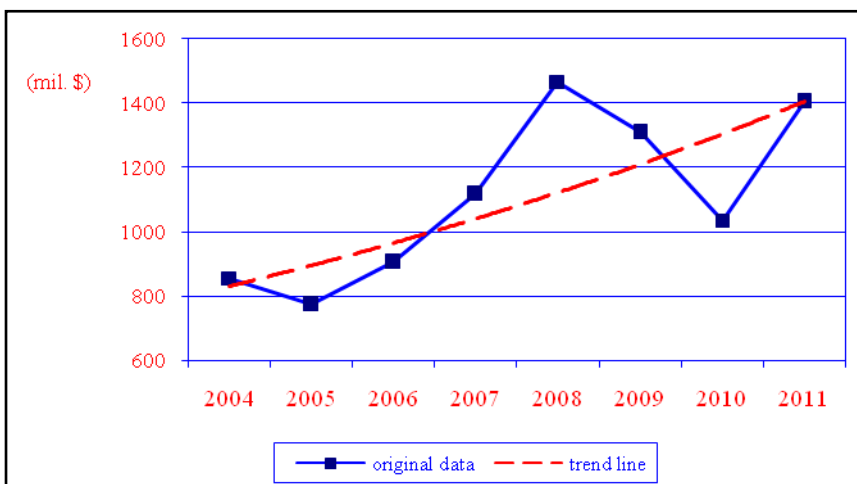


Figure 5: Trends in import of agro-industrial products of Serbia (million US dollars)

Source: [12]

2.2.1. Import of Agro-Industrial Products by Commodity Groups and Sections

The commodity sector of **Food and live animals** ("0") in the structure of import. Its average value amounted to 824 million dollars with the share of almost three quarters (74.3%) and the growth trend at the rate of 7.97%. The analysis of the structure of import of the above-mentioned sector shows that most important commodity section is the section of Vegetables and fruit with the average import of 240 million dollars and the share of 21.6% of the total import, namely the dominant share. Import of Vegetables and fruit has recorded the growth trend at the rate of 10.46%.

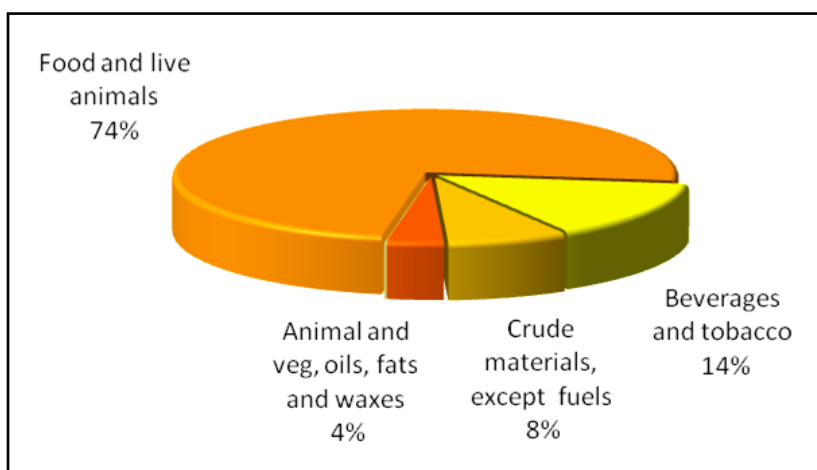


Figure 6: Structure of import of agro-industrial products of Serbia (2004-2011), %

Source: [12]

It is followed by the section of Coffee, tea, cocoa, spices, and manufactures thereof with the value of 167 million dollars, namely with the share of 15.1%. Import of the above-mentioned section has recorded growth at the rate of 8.46%. This section is followed by the section of Miscellaneous edible products with 104 million dollars and the share of 9.4%. It has recorded a moderate growth at the rate of 4.93%. The share of the commodity section of Fish and fish preparations is also important with 76 million dollars and the share of 6.9%. It is logical since

Serbia has to import marine fish. The above-mentioned sections have the dominant share in the structure of import of agro-industrial products with the share of 53%. All commodity sections within the analysed commodity group, except for feedstuff for animals, have recorded the growth trend in import. The most intensive growth has been recorded by the commodity section of Meat and meat preparations, which has been growing at the rate of 23.20%.

The second place belongs to the commodity sector of **Beverages and tobacco** ("1") with the average value of 160 million dollars and the share of 14.4%, namely a moderate growth trend at the rate of 2.51%. The analysis of the structure of import of the above-mentioned sector shows that the most important section is the section of Tobacco and tobacco manufactures with the average import of 96 million dollars, which accounts for 8.7% of the total import, namely the dominant share. Import has recorder a declining trend at the rate of 1.81%. Import of Beverages is significantly lower – it amounted to 64 million dollars with the share of 5.8% (Tab.2).

Average import of the commodity sector of **Crude materials, except fuels** ("2") amounted to 85 million dollars with the share of 7.7% in the overall export. It recorded the growth rate of 15.23% per annum. The largest share within this commodity sector belongs to Crude animal and vegetable materials with the value of 41 million dollars and the share of 3.7% of the total import. Import records a rising trend rate of 5.8% per annum. Other commodity sectors have lower share but with significantly higher import growth rates.

The smallest share in the structure of import belongs to the sector of **Animal and vegetable oils, fats and waxes** ("4") that amounted to 39 million dollars on the average and had the share of 3.6% in the overall import. It recorded the growth rate of 13.7% per annum. Within this sector, the dominant share belongs to the commodity section of Fixed vegetable fats and oils, crude, refined or fractionated with the value of 30 million dollars and the share of 2.7% in the total import. Import recorded a significant growth rate of 17.25% per annum. Other commodity sectors have negligible share.

<i>Sector/Section</i>	<i>Average value (mill. \$)</i>	<i>Share (%)</i>	<i>Change rate (%)</i>	<i>CV (%)</i>
Export-total	1.108	100.0	7.80	23.60
Food and live animals	824	74.3	7.97	24.14
Live animals	11	1.0	15.58	57.79
Meat and meat preparations	34	3.1	23.20	50.90
Dairy products and birds' eggs	29	2.6	23.05	56.12
Fish (not marine mammals), crustaceans, molluscs and aquatic invertebrates, and preparations thereof	76	6.9	9.04	28.32
Cereals and cereal preparations	68	6.1	3.43	25.17
Vegetables and fruit	240	21.6	10.79	28.18
Sugars, sugar preparations and honey	38	3.5	0.37	20.00
Coffee, tea, cocoa, spices, and manufactures thereof	167	15.1	8.46	24.20
Feeding stuff for animals (not including unmilled cereals)	56	5.0	-3.63	20.55
Miscellaneous edible products and preparations	104	9.4	4.93	19.74
Beverages and tobacco	160	14.4	2.51	19.30
Beverages	64	5.8	11.62	34.57
Tobacco and tobacco manufactures	96	8.7	-1.81	20.92
Crude materials, except fuels	85	7.7	15.23	36.26
Hides, skins and furskins, raw	8	0.7	47.43	99.91
Oil-seeds and oleaginous fruits	36	3.3	21.35	50.46
Crude animal and vegetable materials, n.e.s.	41	3.7	5.85	24.15
Animal and vegetable oils, fats and waxes	39	3.6	13.66	36.30
Animal oils and fats	3	0.3	23.62	55.46
Fixed vegetable fats and oils, crude, refined or fractionated	30	2.7	17.25	40.66
Animal or vegetable fats and oils, processed	6	0.6	-2.01	24.28

Table 2: Import of agro-industrial products of Serbia (2004-2011), million US dollars

Source: [12]

2.2.2. Regional Origin of Import of Agro-Industrial Products

The analysis of regional destination of agro-industrial products shows that the highest value comes from the European Union Member States, i.e. 464 million dollars on the average, which accounts for almost a half of the total import (41.9%). During the analysed period, export has grown from 383 million dollars during the initial year to 635 million dollars in

the last analysed year, namely it has grown under the rate of 6.12%. A good thing is that import intensity is far more moderate than export of agro-industrial products. The most important sections in the structure of import include Vegetables and fruit that amounts to 77 million dollars and accounts for 16.7% of the total import. Citrus fruits are the dominant in this section. Import of apples is exceptionally high. This is followed by Miscellaneous edible products with 72 million dollars (15.6%), and Coffee, tea, cocoa, spices, and manufactures thereof with 47 million dollars (10.1%). Tobacco and tobacco manufactures represent a significant commodity section with 35 million dollars and the share of 7.4%. The above-mentioned sections dominate in the structure of import with the share of almost a half (49.8%) of the total import.

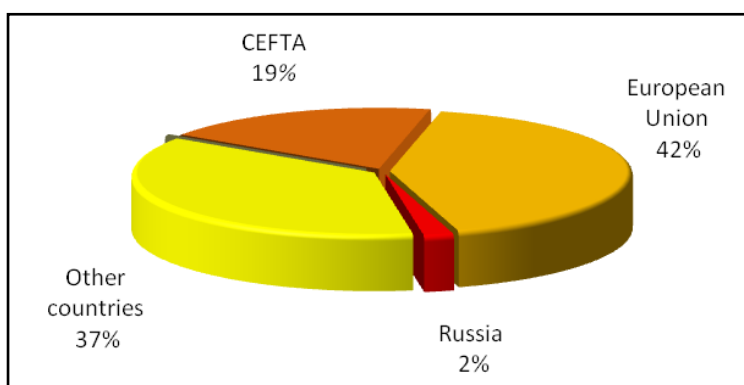


Figure 7: Regional origin of export of agro-industrial products of Serbia (2004-2011), %
Source: [12]

Having concluded the Stabilisation and Association Agreement with the EU, the Republic of Serbia has undertaken the obligation to reduced the current level of import protection in the sector of agriculture by 50% until the end of transition period, namely to bring it closer to zero at the moment of accession into the EU, with keeping of the support for a limited number of most vulnerable products within the agreed period and after the accession. The Stabilisation and Association Agreement with the EU, namely the Interim Trade Agreement anticipates the lifting of quantity limitations, progressive abolishing, and reducing of customs duties on import of agricultural products originating from the EU from the date of coming of the Agreement into force, in accordance with the dynamics stated for each product in Annexes to the Agreement. As of the date of coming of the Agreement into force, Serbia will abolish

all quantity restrictions and customs on import of Fish (not marine mammals), crustaceans, molluscs and aquatic invertebrates, and preparations thereof originating from the EU, except for those referred to in Annex V. However, a large number of tariff lines that include products of agriculture and fishing are of special significance for Serbian agriculture and that belong to the sections of Live animals, Meat and meat preparations, Milk, Dairy products and birds' eggs, Honey, Cereals, Flour and pastry, Soybean oil, Fruit, Vegetables and preparations thereof, Fruit juices, some sugar syrups, Fermented beverages and vinegar will maintain the customs protection at a certain, reduced level even after the implementation period (fresh tomato and sweet paprika, fresh will keep the reduced customs rate along with the seasonal rate, while fresh grapes, apples, sour cherries, plums, and strawberries will keep only the seasonal rate), as well as carp and pastry containing fish and marine preparations exceeding 20% when it comes to fish preparations.

Import from the countries of the CEFTA group amounted to 213 million dollars, which made 19.2% of the total import, namely it was significantly lower compared to import from the European Union (Fig. 7). It is evident that import from the CEFTA countries grows more intensively compared to import from the European Union (18.7%). During the analysed period, import has grown from 96 million dollars during the first year to 317 million dollars during the last analysed year.

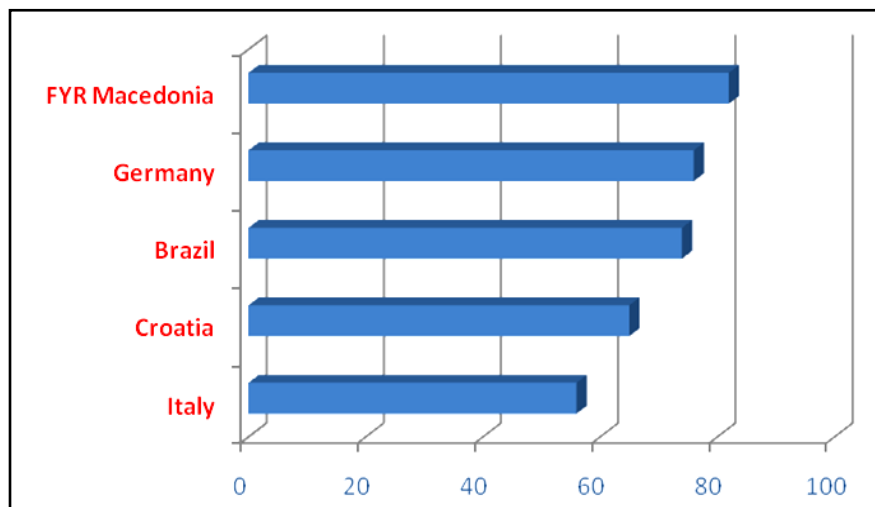


Figure 8: Countries from which the largest import of agro-industrial products into Serbia is recorded (million US dollars), 2004-2011

Source: [12]

The most important section in the structure of import is the section of Vegetables and fruit with 55 million dollars, which accounts for one-fourth (25.8%) of the total import from the above-mentioned economic group of countries. It is followed by Beverages with 33 million dollars (15.5%) and Tobacco and tobacco manufactures with 18 million dollars (8.7%). Cereals and cereal preparations with 15.5 million dollars and the share of 7.3% are also important commodity section. The above-mentioned commodity sections dominate with the share that is higher than a half of the total import (57.3%).

The average import of agro-industrial products from the Russian Federation amounted to 23 million dollars on the average, i.e. only 2.1% of the total import. Import from Russia has recorded the most dynamic increase compared to other regions at the rate of 18.9%. During the first year it amounted to 11 million, only to achieve 47 million dollars in the last analysed year. The most important section in the structure of import is the section of Tobacco and tobacco manufactures with 8.6 million dollars, which accounts for more than a third (36.7%) of the total import from the above-mentioned country. It is followed by Cereals and cereal preparations with 6.1 million dollars (26.3%) and Miscellaneous edible products with 2.7 million dollars (11.6%). Feeding stuff for animals is also an important section with 2.3 million dollars and the share of 9.8%. The above-mentioned sections dominate in import with the share of 84.4%. The highest import comes from the FYR Macedonia and it amounts to 82 million dollars, or 7.4% of the total import of agro-industrial products in Serbia (*Histogram 2*). It is followed by Germany with 76 million (6.9%), Brazil with 74 million (6.7%), Croatia with 65 million (5.9%), and Italy with 56 million dollars and the share of 5.1%. The share of the above-mentioned countries in the structure of the total import of agro-industrial products of Serbia account for almost one-third (31.9%).

2.3. Foreign Trade Exchange Balance of Agro-Industrial Products

During the analysed period, the Republic of Serbia has had a positive foreign trade exchange balance of agro-industrial products that amounted to 581 million dollars on the average. It has recorded a constant increase of trade surplus during the analysed period under the average annual rate of 37.6%. Negative foreign trade balance was registered only in the initial year and it amounted to 56 million dollars. However, it recorded surplus of 1,292 million dollars in the last analysed year (Fig. 9).

The analysis of foreign trade exchange per sectors reveals that all the sectors have recorded surplus, except for Crude materials, except fuels. The highest surplus has been recorded by the sector of Food and live animals with 513 million dollars on the average, followed by the sector of Animal oils and fats with 67 million dollars and sector of Beverages and tobacco with 16 million dollars. Foreign trade deficit amounting to 14 million dollars has been recorded by the sector of Crude materials, except fuels.

The analysis of foreign trade exchange per commodity sectors reveals that the highest surplus in foreign trade exchange has been recorded by Cereals and cereal preparations with 316 million, Vegetables and fruit with 187, and Sugar, sugar preparations and honey with 138 million dollars. The highest deficit in foreign trade exchange was recorded in the commodity section of Coffee, tea, cocoa, spices, and manufactures thereof with 98 million, Fish and preparations thereof with 73, and Tobacco and tobacco manufactures with 63 million dollars. In addition to the above-mentioned sections, a negative balance is also recorded by Feeding stuff for animals (not including unmilled cereals), Miscellaneous edible products and preparations, Oil-seeds and oleaginous fruits, and Crude animal and vegetable materials.

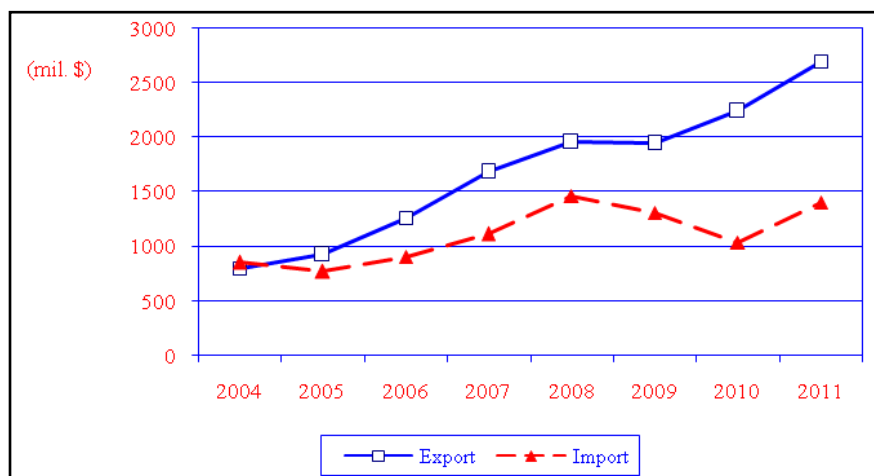


Figure 9: Trends in foreign trade balance of agro-industrial products of Serbia (million US dollars)

Source: [12]

The analysis per regional economic groups shows that the Republic of Serbia has accomplished a positive balance in foreign trade exchange with the European Union Member States – 335 million dollars on the

average. During the initial year of the analysed period, the balance amounted to 45 million dollars only to achieve 709 million dollars in the last analysed year. This means that the balance was growing under the rate of 41.34% per annum.

Republic of Serbia has also recorded a positive balance in foreign trade exchange with the signatory countries of the CEFTA Agreement – 548 million dollars on the average. During the initial year of the analysed period, the surplus amounted to 219 million dollars only to achieve 785 million dollars in the last analysed year. This means that surplus was growing under the rate of 20.44% per annum.

Constant increase of productivity, in particular of competitiveness, represents the necessity of every economy during the 21st century. This should be the imperative of Serbian economy, in particular of agro-economy [11]. For example, productivity of work and land in Serbian agriculture is far lower compared to the EU Member States and it is higher than the one in the CEFTA group.

CONCLUSIONS

The average export of agro-industrial products from the Republic of Serbia during the analysed period (2004-2011) made 1.7 billion US dollars and it recorded a significant growth under the average rate of 18.66% per annum. The most important export sections include Vegetables and fruit with 25.3%, followed by Cereals and cereal preparations with 22.7%, Sugars, sugar preparations, and honey with 10.5%. The highest value of export is directed towards the European Union Member States and it amounts to 799 million dollars on the average, which accounts for almost a half of the total export (47.3%). Somewhat smaller export is directed towards the countries of the CEFTA group, i.e. 761 million dollars on the average, or 45% of the share in the total export. Analysed per countries the highest export is directed to Bosnia and Herzegovina, Montenegro, FYR Macedonia, Germany, and Italy. The above-mentioned countries have absorbed 60.7% of the total export.

The average import of agro-industrial products of the Republic of Serbia made 1,108 million US dollars. Import has recorded growth under the average rate of 7.80%. It is evident that the import rate is far lower than the one of export, which is encouraging. The most important import sections include Vegetables and fruit with 21.6%, followed by Coffee,

tea, cocoa, spices, and manufactures thereof with 15.1%, and commodity section of Miscellaneous edible products and preparations with 9.4%.

The highest value of import has been recorded from the European Union Member States amounting to 464 million dollars, which accounts for almost a half of the total import (41.9%). Import has been growing under the rate of 6.12%. Import from the countries of the CEFTA group made 213 million dollars on the average, namely it made 19.2% of the total import. Import from the above-mentioned economic group has grown more intensively compared to import from the European Union (18.7%). The highest import has been coming from the FYR Macedonia, Germany, Brazil, Croatia, and Italy. The above-mentioned countries participate with almost a third (31.9%) in the structure of total import of agro-industrial products of the Republic of Serbia.

Republic of Serbia has had a positive foreign trade exchange balance of agro-industrial products that amounted to 581 million dollars on the average. It has recorded a constant increase of positive balance under the average annual rate of 37.6%. Negative foreign trade balance was registered only in the initial year and it amounted to 56 million dollars. However, it recorded surplus of 1,292 million dollars in the last analysed year. Favourable results of agro-industry of Serbia in foreign trade exchange have been accomplished thanks to the advantages in its preferential status on the markets of the European Union Member State, achieved liberalisation in exchange with the western Balkan countries (CEFTA) and within the circumstances that are still present at the world market, etc. It is necessary to upgrade agriculture and food industry in order to increase export. Adapting to the norms and standards of the importing countries and implementation of the marketing concept of doing business make the imperatives. A special attention should be paid to increasing productivity, competitiveness, and education of agricultural producers.

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