

# FUTURE OF AGRICULTURAL PRODUCTS EXPORT AND PRECONDITIONS FOR ITS INCREASE

**Aleksandra Gajdobranski<sup>1</sup>, Vera Krmpot<sup>2</sup>, Sandra Stojanovic<sup>3</sup>**

<sup>1</sup> Faculty of Business Study and Law, University „UNION-Nikola Tesla”,  
Belgrade, Serbia, e-mail: aleksandra.gajdobranski@fppsp.edu.rs

<sup>2</sup> Sterijino pozorje, Novi Sad, Serbia, e-mail: vera.krmpot@pozorje.org.rs

<sup>3</sup> Faculty of Business Study and Law, University „UNION-Nikola Tesla”,  
Belgrade, Serbia, e-mail: sandra.stojanovic@fppsp.edu.rs

---

**Abstract:** *This paper aims to summarize the main factors of competitiveness in exports of sunflower, soybean, rapeseed oil in the Republic of Serbia. This paper presents an evaluation of competitiveness through a SWOT analysis as well as the strengths and weaknesses that are happening in the present, as well as the opportunities and threats that will happen in the future.*

*As a basic prerequisite of increasing exports we herewith analyze the following: macroeconomic stabilization, the inclusion of Serbia into international institutions (WTO and EU) development program of agricultural production and processing, export marketing of agricultural produce, regional orientation and exploration of the world market of agricultural products, the design and realization of production for export, efficient and rational organization of export of agricultural products, agricultural policy in order to increase production and export financing of production for exports and imports, export subsidies and encouraging agricultural and food products, improving quality standards with international standards, the funding of market research and promotion of export of agricultural products.*

**Keywords:** *SWOT analysis, exports future, exports preconditions.*

---

## 1. COMPETITIVENESS EVALUATION - SWOT ANALYSIS

SWOT analysis provides us with useful information that help us to rationally manage our own resources and achieve maximum results in a competitive environment. This analysis is also an instrument of strategy formulation and selection factors of agricultural

production. The analysis is twofold, internal and external, and operating factors (production) are grouped into four categories: advantages of business (production), weaknesses of business (production), business opportunities (production opportunities) and threats in the business (production).

In this paper we analyze the four categories which are – considering the observation time - occurring in the present (strengths and weaknesses) and in the future (opportunities and threats). Strengths and weaknesses in the business can be analyzed in the following areas: sales, marketing, distribution, production (processing efficiency, capacity utilization), the quantities and types of products, quality and price. Risks and Opportunities are external factors facing businesses (agricultural production); changes can be daily, there are alternately economic and social factors operating on the market. Competition creates new risks and opportunities, and implementation of new technologies leads to structural changes in the production process.

In order to identify positive factors that have led to successful operations it is necessary for us to realistically perceive and answer the following questions: What is the essence of success of your business? What are the advantages compared to the competition?

Development Strengths (advantages) of agriculture of Vojvodina are:<sup>[1]</sup>

- Exceptional natural conditions for production (land, air, water resources);
- Comparative advantages of the micro-districts (Fruška Gora, Subotica Sands, Vršac mountains);
- Excellent conditions for multifunctional agriculture (suitable natural resources for the development of tourism, catering, energy production from renewable sources);
- Tradition in conventional farming;
- Relatively skilled and educated workforce;
- Developed processing facilities;
- Existence of educational, scientific and research institutions and agricultural counseling;
- Provincial institutions willingly support development of agro complex.

To identify weaknesses, we should start from the basic questions: What is needed to improve the business (production)? What must be changed? How to enter the market? What is competition doing in a better way?

Weakness are:

- Small and undeveloped holdings and rural lots;
- Extensive production by structure and yields;
- Low representation of livestock breeding;
- Inadequate solutions for leasing state-owned land;
- Poor economic conditions for the use of water resources for irrigation;
- Poor organization of rural farms;
- Insufficient government support for the development of agriculture.

Business opportunities are to found in the answers to the questions: What are the chances for development of business? It is necessary to know the market trends, application of new technologies, competition, etc.

Development opportunities are as follows:

- Cultivation of land;
- Increasing the area under irrigation (possibility of stubble and subsequent seeding);
- Intensification of crop and livestock production;
- Higher degree of finalization of production in our own processing capacities;

- Improving the processing technology of agricultural products;
  - Development of multifunctional production and diversification: development of agro-tourism (rural tourism, rural tourism events and tourism, fishing and hunting), catering (farm-food, fresh-healthy food, local cuisine), production of energy from renewable sources (harvest remains, wind, etc.);
  - Increased competitiveness of SME development and integration through clusters;
  - Increasing export opportunities, establishing ISO standardization and improving product quality.
- The development of organic farming, the production of medicinal and aromatic plants
- Identification of immediate threat (danger) in business is achieved by posing the following question: How each of these threats seriously jeopardizes the business and production?
- Threats to development are:
- Restrictions in product placement (weak domestic demand affordability);
  - Restrictions on exports (export quotas, non-tariff barriers, lack of exports stimulation, etc.);
  - Insufficient capacity of the state to support the development of agriculture;
  - Lack of quality financial resources of funds for the development and functioning;
  - Absence or inadequacy of the legislation;
  - Large negative influence of interest groups (import lobby) on agricultural policy measures;
  - Low impact of professional and scientific institutions on the development of agricultural sector and economic policy measures in agriculture.

For the aforementioned potentials to be fully utilized, it is necessary to significantly increase the intensity of production, i.e. to invest in current production and development. Intensiveness of production in agriculture is the most affected by the following: the market (opportunities and conditions for placement) and the price parity (the price ratios: raw materials-products; product-product; product – transformation process).

## 2. FUTURE EXPORTS OF AGRICULTURAL PRODUCTS AND THE PREREQUISITES FOR ITS INCREASE

In the current economic circumstances the future of agriculture in Serbia depends on both the character and intensity of changes in our agriculture, and on our capacity to adapt to the integration process and market changes in the European Union.

More certain future of agriculture in the EU market realistically can be achieved depending on the manner and extent of its adaptation to the common agricultural policy of the European Union. It has already been pointed out that agriculture in our country, under the influence of several years of economic crisis facing the recessive trends and the adverse economic effects of the exercise of agricultural production, the degradation of its technology, the decline in labor productivity lags changes in the structure of agricultural production, disorganization and lack of adaptation of economic operators to market economy conditions.

The package of measures “Agenda 2000” that was passed in 1997 in accordance with the agricultural strategy, the European Commission takes an expansive view of the new approaches and training opportunities and development of the common agricultural policy (CAP) in the years after 2000. This Agenda has set a target to create the conditions and the realization of further strengthening the competitiveness of agriculture and agricultural

products in the European Community. These measures directly affect the situation of agriculture in our country, especially in consideration of directions of foreign trade of these products. Intensive production of sufficient quantities of food at reasonable prices is being replaced by competitive production of safe food. With these reforms, the EU wants to promote and realize the increase of quality and safety in the diet of the population of its member states, as well as fully and effectively encouraging environmental protection.<sup>[2]</sup>

Our products should be recognizable and competitive on the international market, which is why we must be oriented to increase their exports and the trade surplus agricultural products. The focus of the export orientation should be on exporting finished products.

Exports should be stimulated: export incentives and selective subsidies, harmonization of standards and technical regulations, adjusting commodity regimes and other incentives. Export subsidies should be provided: directly from the agricultural budget and the return on paid customs duties for imported raw materials and intermediate goods.

What is required is policy of import protection by means of: import regimes, customs duties, levies, non-tariff and other measures. The policy of export-import should strictly take into account the quality and health safety of agricultural products, which are exported-imported raw materials for agriculture and food industry.<sup>[3]</sup>

### 3. FUTURE SUNFLOWER EXPORT

Since 2000 Serbia has begun to significantly increase export volumes of sunflower, and it can be expected that, by 2015, it be among the first 20 countries of the world.

The most significant exporter of sunflower kernels was the European Union, with an average share above 50% by 2015. This growth will be significantly increased. EU country the largest exporter of oilseeds was France, based on the trend in exports by 2017, will lose city's biggest exporter. Based on projections, the largest exporters of oilseeds to a given period will be Hungary and Bulgaria, and behind them followed by Russia, France and Romania. The US has so far been in second place in the structure of exports of sunflower and by the year 2017 can be expected to be ranked third in the world.

Based on the forecasts of experts, by 2013 the supply of sunflower to the world market will decrease, primarily due to lower yields. But in the future a new record in the export of sunflower from Russia is expected, regardless of the gradual worsening of conditions for industrial production and processing of oil. According to experts, the main markets for Russian sunflower oil are the countries of the Commonwealth of Independent States, the Middle East, as well as some European countries. Exports of bottled sunflower oil will increase, and there are opportunities for expansion of product range by introducing new types of oil, for example flaxseed oil.

Developed countries will hold the primacy in exporting sunflower seeds until 2017, and - based on the annual increase - it may be expected that it amounts to 85%.

By continent, the most important region for export of sunflower is Europe, and will retain that position in the future. The European Union will in the future be a very interesting market for Asian countries, due to the decrease in inventories of products of oil and rising prices. For example, the price of rapeseed has been increasing, for example in 2006 from 480 euro per tonne to 645 euro per tonne (26% increase), due to the high demand for processing into biodiesel fuel. Since 2005, the European Union percentage of biodiesel fuel has reached the level of the mandatory 2% of the total fuel consumption. It is predicting that

by 2017 the proportion of biodiesel in total consumption is to reach at least 5.75% in every Member State. <sup>[4]</sup>

#### 4. FUTURE SOYBEAN EXPORT

Starting from 2000 onwards Serbia has been increasing its soybean exports capacities, and as such in 2015 it shall move from being 43rd in the world to 30th.

In Serbia, it is expected that some 4.6 million hectares of arable land be declared for the GMO-free production area. These products would be recognizable on the international market, as well as products derived from the protected area, with the tag unmodified GM soy, which would increase our share in exports to the EU market and the world market. Serbia should in the future benefit from the Danube transport for imports of soya by Western countries (Belgium, Netherlands, Germany, Austria, Hungary), and utilize the export of maize, soy products and other agricultural crops.

It is anticipated that global exports of soybeans in the world will increase by 2017 to 15 million tons. About 85% of exports will be provided by nine countries - four developed and five developing countries. Brazil will significantly exceed export volumes by the United States, and by 2017 will have over 50% share in international exports. US participation in the export of soy and its products during the same period is projected to be cut from 18% to 12%. The export share of developing countries in the same period will rise from 60% to 70%. It is anticipated that soybean exports from developed countries until 2017 reach the level of 30% and in developing countries about 70%.

In international soybean export the export of soybean products has been constantly growing so that it can be expected that by 2017 the export of soybean products reaches about 54% and actual soybeans reaches 46%.

The most important soybeans export continents used to be North America 57%, and South America with about 37% share. Based on the high growth rate of export of South America, it can be expected that by 2017 the export of soybeans of this continent becomes larger than exports from North America.

Soy is in constant competition with cereals and oilseed rape. If the prices for grains increase, imports of soybeans also get increased as it is an important item in the diet of cattle. It is anticipated that exports are to be reduced by 50% (to a height of 20 million tons). Due to the increasing price of oil crops, Russia and Ukraine increased production of canola and soybean, which will result in an increase in exports of soybeans. The European Union will continue to be small and constant exporter of soybean meal to Russia and other Eastern European countries. By 2017, the export volumes of soy for the European Union and Japan will be stable, while significant increase in imports of this product by China is expected. <sup>[5]</sup>

#### 5. PRECONDITIONS FOR INCREASING EXPORTS OF AGRICULTURAL PRODUCTS

Basic preconditions for increasing the production and export of agricultural products are represented by the following factors:

1. **Macroeconomic stability** - prices, exchange rates and economic growth;
2. **Inclusion of Serbia into international institutions** - (WTO and EU);

**3. Programs for development of agricultural production and processing** - there are tendencies indicating that in the near future Serbia is to strengthen its position in the international market because as the future EU member it will modernize production and processing, improve the quality and quantity of their products. The development process should be driven by the state planning measures in order to boost exports, which will have a positive impact on the reduction of imports of many agricultural products;

**4. Export marketing of agricultural products** - includes systematic and complex monitoring and research of the world market of this product group, programming and implementation of production for export, including obligatory and efficient organization of export of agricultural products. It also includes sorting and packing the products, as well as attractive modern packaging under the UNECE standards;

**5. The regional orientation and exploration of the world market of agricultural products** - includes professional monitoring and research of transport of agricultural products, especially the competitiveness of these products on a specific target market. They can determine the groups of products from oilseeds for which there are potential opportunities for export growth in the coming period, and that is edible oil, seeds and soy products. Of special importance is the research of the following target markets: the states of the former Yugoslavia, the Member 6) States of the EU-27 Member States of the Russian Federation, overseas countries (USA, Canada, the Middle and Far East);

**6. Design and implementation of production for export** - should be based on available production resources, the achieved level of production and consumption of agricultural and food products, exploration of the world market and potential demand for these agricultural products, where it is necessary to develop a concept to increase production and exports. The main directions of production restructuring would be reducing the area under cereals and increasing the areas under oilseeds;

**7. Efficient and rational organization of export of agricultural products** - is based on the concept of agriculture and food industry in Serbia which allows the rational use of significant production resources, on the one hand, and that it is based on export marketing requires improving the existing organization of export due to its higher efficiency and rationality, on the other hand. In the coming period, the main pillars of exports should be specialized foreign trade enterprises that provide the most favorable conditions in international trade;

**8. Agricultural policy in order to increase production and exports** - should respect agricultural policy measures in the field of market and prices, finance and foreign trade, it is necessary to create favorable economic conditions for the effective protection of domestic production with subsidized and encouraging faster development of strategic production and export of agricultural products in accordance with EU regulations and WTO rules. The focus of the export orientation of these products Serbia should be to increase exports of finished products, knowledge, technology, investment and other projects and engineering services. In this connection, it is necessary to encourage the development of marketing, specialization of production, raising the quality, range expansion and specialization in the direction of distinctive and competing agricultural products;

**9. Financing of export production and exports** - we should especially consider the possibility of subsidizing the export activity measures the indirect nature (long and short),

export credit, insurance and export transactions of commercial and non-commercial risks for export marketing;

**10. Export subsidies and export promotion of agricultural and food products** - within the budget of Serbia it is necessary to provide funds for the direct export subsidies that. payments to producers (exporters) in the dinar equivalent of their foreign exchange earnings realized and recovery of customs duties paid on imported raw materials and intermediate goods used in the production of these goods. It is necessary to unload the goods for export from the tax benefits, which directly acts on its export price and increasing the competitiveness and income of exporters. The new rates of export subsidies are necessary to establish selectively, on the basis of long-term balance assessment and evaluation of conjuncture developments on the domestic and international markets. Taking into account the above criteria it is necessary to ensure the overall level of funding for subsidies for export of these products at least in the amount of 10 to 15% of the planned exports, with coverage of at least 40% of the programmed value of exports;

**11. Harmonization of quality standards with international standards** - a requirement is the removal of technical barriers to trade in goods and to fulfill the requirements of a single EU internal market, particularly in the field of new technologies, veterinary and phyto-sanitary control systems and quality standards in production and trade, seed, planting material and protection varieties of agricultural mechanization, food processing, environmental protection, etc., which will create the appropriate institutional conditions for marketing these products from Serbia to the international market. These are the quality standards, quality control and quality assessment of HACCP and the introduction of ISO 9000, ISO 9001, ISO 14000;

**12. Financing of market research and promotion of exports of agricultural products** in order to plan, design, unifying and comprehensive implementation of the measures and activities on the implementation of foreign policy in the sectors of agriculture and food industry, especially measures to promote and subsidize exports of these products as well as instruments of import protection agri-food production, proposes the establishment of “promotion Agency and export promotion of agriculture” as a separate body within the Ministry of Agriculture.

The Agency tasks are related to the operational and analytical monitoring, analyzing, and propose the immediate implementation of measures to the Ministry of Agriculture, as follows:

- Accurately monitoring the situation and the conditions of competitiveness in major export markets;
- Assessment of current and projections of future trends in major export markets;
- The policy of scientific and technological development in the field of agriculture and food industry in order to achieve greater competitiveness in exports;
- Monitoring developments in domestic production, imports and exports of these agricultural products;
- Preparation of the exports of agriculture and food industry and monitoring implementation;
- Implementation, monitoring and analysis of the effects of import protection (duties, levies);
- Internal support producers and export subsidies as well as their adaptation.

-organizing and financing the promotion of these products from Serbia at the most important international markets, as well as a unified appearance by exporters from Serbia at specialized events (fairs, exhibitions, catalogs) abroad and potential foreign buyers in the country.

## 6. CONCLUSION

Serbia is among the largest producers of oilseeds in Europe - among the top five soy bean producers and among the top seven largest manufacturers of sunflower. Under soy Serbia has about 160 thousand hectares, and production had been increasing in the period from 2000 to 2014 at the annual rate of 16% with a yield of 2.4 to 3 t / ha.

The influence of the market of oilseeds in the region (Russia, Ukraine, Romania, Bulgaria and Hungary) is noticeable in our country, in terms of making decisions on production and the formation of prices. On the basis of calculation of the average export sunflower, Serbia from 2000 had began to significantly increase amounts for export, and according to the current trend of exports, it can be expected that by 2017 it is to be among the first 20 countries of the world.

Huge international competition in this sector mixed with tiny internal competition together with strict tariff protection of the domestic market means that domestic companies have not yet been faced with real competition.

Opening of the borders to the European Union and the world will inevitably lead to further changes, where the oilseeds market of Serbia will depend on the following factors:

- climatic conditions and demographic development;
- macroeconomic environment and market development of biodiesel;
- transport costs and the development of international traffic with China and India;
- market without the use of GM crops as well as technological development.

## BIBLIOGRAPHY:

- [1] [www.strategija-razvoja-poljoprivrede-vojvodine](http://www.strategija-razvoja-poljoprivrede-vojvodine)
- [2] Malešević M. i saradnici, Značaj zakonske regulative za razvoj organske poljoprivrede, Organska proizvodnja (zakonska regulativa), Savezno ministarstvo za privredu i unutrašnju trgovinu, Beograd,. 2002.
- [3] Pejanović R., Kriza jugoslovenske poljoprivrede, zbornik radova VPŠ, Novi Sad, 2001., str. 91.
- [4] [www.razvoj.sr.gov.yu](http://www.razvoj.sr.gov.yu)
- [5] Interni materijal: Strategija razvoja poljoprivrede Srbije, „Službeni glasnik RS“, br. 55/05 i 71/05.