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FOREIGN TRADE EXCHANGE OF AGRO-FOOD PRODUCTS OF THE REPUBLIC OF SERBIA AND MONTENEGRO – STATE AND TENDENCIES

SUMMARY

The conducted research aims to describe the current trends and structure of the exchange of agricultural nutritional products between the Republic of Serbia and Montenegro. Foreign trade exchange is analyzed by the Standard International Trade Classification (SITC) for the products within Sector 0 (food and live animals), Sector 1 (Beverages and tobacco), Sector 2 (Crude materials), and Sector 4 (Animal and vegetable oils and fats). The research was based on available data for the period of 2007-2011.

Within the mentioned sectors, the foreign trade exchange is analyzed in detail through the products sections, including a review of the most significant sections in the balance of the foreign trade exchange. Within the sections the products that dominate participation in the exchange are detailed.

The paper discusses the possible benefits of cooperation, including improved trade relations between Serbia and Montenegro, and particularly in line with the exchange of agro-food products.

In the exchange of agro-food products with Montenegro, the Republic of Serbia has realised, in the analysed period, a surplus of approximately 288.6 million USD. When broken up into the products' sections, the highest surplus was attained in the exchange of cereals and cereal preparations, taking an average of 52.8 million USD, while the trade deficit was seen in the exchange of fish and fish preparations as well as hides, skins and raw fur-skins, which amounted to 205 and 354 thousand USD, respectively.

Keywords: agro-food products, foreign trade exchange, Republic of Serbia, Montenegro

INTRODUCTION

The limited shelf life and special transporting conditions of agricultural nutritional products imply that the distance of a targeted market has to be appropriate for the nature of the product, i.e., it is important for the export destination to be nearby, or even surrounding, the country of origin.

Due to the limited resources necessary for the production of agricultural products, as well as insufficient industrial capacities involved in food production,

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Montenegro presents an important export market for countries that are more or less involved in the processing industry as its primary export relies on agricultural production.

By strategically observing the export of agricultural food products from the Republic of Serbia, it can be seen that the importance of the Montenegro market is derived primarily from demand in the summer tourist season, though other parts of year create their own markets. Additionally, as an export destination, Montenegro has the possibility of product distribution.

MATERIAL AND METHODS

The basic aim of this research is to understand the basic features of the exchange of agricultural food products between the Republic of Serbia and Montenegro during 2007 to 2011. The period under examination is characteristic of the trade between independent countries, in that it represents a period in which Montenegro, from the point of view of the Republic of Serbia, is considered to be a totally international market and in which all product exchange is considered foreign trade.

This analysis considers products that belong to sectors 0 – food and live animals, 1 – drink and tobacco, 2 – raw materials, and 4 – animal and plant oil and fat, as determined by the Standard International Trade Classification. The research is based on available data, after having applied the “research at the table” method. The source of data is limited to specific years of “Statistics of foreign trade,” a publication of the Republic Statistic Bureau in Belgrade. Standard statistical mathematical methods are applied throughout the analysis, and the most pertinent phenomena are shown in the tables.

RESULTS AND DISCUSSION

Within the period under analysis, the export of agricultural food products from the Republic of Serbia into Montenegro netted on average 312.2 million USD (*table 1*). The lowest value of the export occurred in the first year of the research, when Montenegro exports netted 278.2 million USD, and the greatest export value was achieved in the following year, 2008, when it reached 364.1 million USD, a 30.9% increase. During the following years, the export of products from the Republic of Serbia ranged from 283.7 to 332.9 million USD.

The export of agricultural food products in the Montenegrin market consisted of trade sectors which participated in the total value differently. The highest value realised in the export of products within Sector 0 (food and live animals), and which took in an average of 221.8 million USD, made up 71.0% of the total agricultural food product exports. The other sectors were responsible for a smaller percentage of the total export. Products of Sector 1 (drink and tobacco) were responsible for 23.1% of the total export, making an average of 72.2 million USD. Products of Sector 4 (animal and plant oil and fat) and of Sector 2 (raw materials), were responsible for 5.0% and 0.8% of the total export, respectively, making an average of 15.7 million and 2.5 million USD.

Table 1. Export of agricultural food products from the Republic of Serbia into Montenegro (2007-2011), 000 USD

Department	Average value (000 \$)	Interval of variation		CV (%)	Rate of change (%)
		min	max		
Live animals	20.716	2.978	33.125	53,86	65,10
Meat and manufacturing article	36.901	26.860	47.644	25,26	-14,12
Dairy products and eggs	41.576	33.176	48.634	15,43	6,13
Fish and manufacturing articles	381	304	512	20,97	0,96
Cereals and manufacturing articles	53.179	46.477	63.838	14,16	0,06
Vegetables and fruit	17.827	14.539	20.659	13,56	-6,34
Sugar, sugar articles and honey	3.742	3.065	5.386	25,27	5,50
Coffee, tea, cacao, spices	14.051	12.900	15.368	6,38	1,13
Fodder	15.518	13.473	18.936	14,44	5,04
Different food products	17.954	17.113	20.408	7,72	3,15
Food and live animals	221.846	197.953	274.510	10,68	1,95
Drinks	58.190	48.673	73.303	15,75	-2,75
Tobacco and tobacco products	13.981	11.826	17.263	19,69	-4,03
Drinks and tobacco	72.171	60.500	90.566	15,63	-2,97
Raw and fur skins	12	0	47	*	*
Oil seed and fruits	267	225	307	13,03	6,77
Animal and plant raw substances	2.256	1.946	2.054	10,48	3,79
Raw matters	2.535	2.171	2.408	9,52	4,25
Animal oil and fat	606	554	720	11,65	-1,69
Solid plant fats and oils	14.441	10.731	17.686	19,30	7,80
Animal and plant oil and fat processing	652	258	1.018	45,95	18,37
Animal and plant oil and fat	15.700	11.543	19.424	19,64	7,68
Total	312.253	278.193	364.142	11,53	1,09

Source: calculation in accordance to the data from the department for statistic of foreign trade, RZS Belgrade

** because of continuity interruption within the time series it was not possible to calculate variation coefficient and exchange rate*

The total export of agricultural food products from the Republic of Serbia into Montenegro was dominated by products of Sector 1 (drinks),² which participated at 18.6%, making an average of 58.2 million USD. However, during the timeframe under consideration, the export value of the products belonging to this sector tended to fall approximately 2.75% a year.

Moreover, the export percentage of products belonging to Sector 4 (cereals and products of cereals)³ was 17.0% of the total export, making an average of 53.2 million USD. Several sectors each exported more than 10% of the total exports, particularly the products in Sector 2 (dairy products and eggs), which were responsible for 13.3% of the exported products, and Sector 1 (meat and meat products), which exported 11.8%. The value of the exports averaged 41.6 million and 36.9 million USD, respectively. The export value of the products from Sector 1 (meat and meat products) fell the furthest of all the sectors under examination, with a pre rate of 14.12% a year. In the first year, the export value of the products in this sector was 44.1 million USD, and in the last year it had fallen to 26.9 million USD, a decreasing export value of 39.0%.

In accordance with the value of the export, the products from Sector 5 (vegetables and fruit) were responsible for 5.7% of the total export of agricultural food products. The export of these products was valued on average at 17.8 million USD, though value fell at roughly 6.34% a year. By analysing the export of fresh and processed vegetables from the Republic of Serbia into the countries of the CEFTA region during the period of 2007-2009, Puškarić and collaborators (2011) state that the market of Montenegro imported products at a value of 9.1 million USD, which was 28.2% of the total import of vegetables and vegetable products into Montenegro.

Sector 0 (live animals) was responsible for a total export of 6.6%, taking in an average of 20.7 million USD. However, this sector experienced an increasing rate of value over the stretch of the timeframe in question, growing at 65.10% a year. In the first year of the research, export of products from Sector 0 (live animals) had an export value of 3.0 million USD, and in the last year it rose to 33.1 million USD, indicating a multipart increase of export value.

Over the five-year period in question, the export of agricultural food products from Montenegro to the market of Serbia was worth an average of 23.6 million USD and had a falling rate of 9.67% a year (Table 2). The steep fall also indicates that in the last year of the research, the export value had fallen to 20.4

² Within the timeframe of Sector 1, the highest export value had was associated with the following products: water with sugar in it (23.7 mil. \$), cigarettes consisting of tobacco (13.5 mil. \$), mineral and fizzy water, without sugar (10.1 mil. \$), beer from malt – light and dark beer (5.2 mil. \$), wines from fresh grapes (2.1 mil. \$).

³ The most highly valued product in Sector 4 (cereals and cereal products) was wheat flour (18.4 mil. \$), followed by wheat (3.7 mil. \$) and corn (3.1 mil. \$), which indicates an inappropriate exporting structure that relies on large quantities of primary agriculture and minimally processed products.

million USD, about 26.1% lower in value than the first year of the period under consideration.

Table 2. Export of agricultural food products from Montenegro into the Republic of Serbia (2007-2011), 000 USD

Sector	Average value (000 \$)	Interval of variation		CV (%)	Rate of change (%)
		min	max		
Live animals	12	0	27	*	*
Meat and manufacturing article	3.367	2318	4028	21,09	4,23
Dairy products and eggs	41	10	86	79,99	67,26
Fish and manufacturing articles	586	185	1261	78,60	-21,96
Cereals and manufacturing articles	395	300	570	26,74	-8,18
Vegetables and fruit	3.189	2140	4330	29,31	3,62
Sugar, sugar articles and honey	88	1	247	110,90	-62,66
Coffee, tea, cacao, spices	76	26	164	74,37	23,91
Fodder	50	2	135	106,10	131,70
Different food products	95	28	292	116,43	28,28
Food and live animals	7.899	6809	9060	11,39	1,41
Drinks	14.963	10969	19771	28,49	-15,34
Tobacco and tobacco products	182	0	774	*	*
Drinks and tobacco	15.145	11032	20545	29,45	-15,38
Raw and fur skins	366	0	653	*	*
Oil seed and fruits	0	0	0	*	*
Animal and plant raw substances	107	25	200	72,31	-14,01
Raw matters	473	197	689	53,27	44,58
Animal oil and fat	114	60	199	51,29	-3,13
Solid plant fats and oils	11	0	37	*	*
Animal and plant oil and fat processing	1	0	4	*	*
Animal and plant oil and fat	125	61	202	45,89	-7,95
Total	23.642	19.026	28.725	18,31	-9,67
<i>Source: calculation in accordance to the data from the department for statistic of foreign trade, RZS Belgrade</i>					
<i>* because of continuity interruption within the time series it was not possible to calculate variation coefficient and exchange rate</i>					

The exported products of Sector 1 (drink and tobacco) and Sector 0 (food and live animals) both dominated the overall exchange, while the products of other sectors had negligible participation. The highest value was found in the import of Trade Sector 1 products (drink and tobacco), which had an average of 15.1 million USD, i.e. 64.1% of the total import. Similarly, the value found in Sector 0 imports (food and live animals) was an average of 7.9 million USD. Products from Trade Sectors 4 (animal and plant oil and fat) and Sector 2 (raw materials), produced 0.5% and 2.0% (respectively) of the total export of agricultural food products from Montenegro into Serbia.

The value of the exported products of Trade Sector 1 (drink and tobacco) mostly decreased at a rate of 15.38% a year. The greatest influence on the decreasing value of the export was Trade Sector 1 (drinks), whose value dropped in the last year of the period (2011) by 8.4 million USD, i.e. 44.2%, when compared to the first year.

Products which significantly influenced the drop in value of the export from the Sector 1 (drinks and tobacco) are as follows: beer made from malt (light and dark beer), whose export decreased from 6.0 million USD in the first year to only 7 thousand USD in the last year of the research, and wine, made from fresh grapes, and whose export decreased from 12.2 million USD, in the first year to 9.8 million in the penultimate i.e. to 10.2 million USD in the last year of the research.

One of the reasons for slowing the export of wine from Montenegro into Serbia was the competition: Macedonian and South American wine, and wine from European Union, have been in the Serbian market and it is competitively priced. Though Montenegro and Serbia have been independent from each other for over five years, Montenegrin wines are still considered the national wine, which tends to have an effect on determining the extent of product exclusivity.

Apart from the Sector 1 products (drinks) being exported from Montenegro to the Serbian market, Sectors 0 (meat and meat products) and 5 (vegetables and fruit), are responsible for the lion's share of the products. Those products were exported with an average value of 3.4 million and 3.2 million USD, respectively, with a participation percentage of 14.2% and 13.5%, respectively, in the total export.⁴

Regardless of the obvious fall of values when exporting agricultural food products from Montenegro into the Republic of Serbia, a favourable export structure is present, in which an export characterises higher participation in the products of high processing phases, i.e. final food products.

During the period we examined, the Republic of Serbia joined with Montenegro to exchange the positive balance of agricultural food products. The average annual surplus exchanged for the above-mentioned products was worth

⁴ According to dollar value the most important products belonging to the mentioned sectors are pork, dry pork, salted pork, smoked (1.8 mil. \$), grapes, fresh (815 thousand \$), pork legs, shoulders with bones (704 thousand \$), edible mushrooms, dried (392 thousand \$) and peaches, fresh (333 thousand \$).

288.6 million USD (*table 3*), within an interval of 250.6 million to 335.4 million USD.

Table 3. Balance of foreign exchange of the Republic of Serbia and Montenegro (2007-2011), 000 USD

Sector	Export (000 \$)	Import (000 \$)	Balance
Live animals	20.716	12	20.704
Meat and meat products	36.901	3.367	33.534
Dairy products and eggs	41.576	41	41.535
Fish and fish products	381	586	-205
Cereals and products	53.179	395	52.784
Vegetables and fruit	17.827	3.189	14.638
Sugar, sugar products and honey	3.742	88	3.654
Coffee, tea, cocoa, spices	14.051	76	13.976
Fodder	15.518	50	15.468
Different food products	17.954	95	17.859
Food and live animals	221.846	7.899	213.947
Drinks	58.190	14.963	43.227
Tobacco and tobacco products	13.981	182	13.799
Drinks and tobacco	72.171	15.145	57.027
Raw skins and fur skins	12	366	-354
Oil seeds and fruits	267	0	267
Animal and plant raw matters	2.256	107	2.150
Raw matters	2.535	473	2.062
Animal oil and fat	606	114	493
Solid plant fat and oil	14.441	11	14.431
Animal products and plant oil and fat	652	1	651
Animal and plant oil and fat	15.700	125	15.575
Total	312.253	23.642	288.611

Source: calculation in accordance to the data from Foreign Trade Statistic department, RZS Belgrade

The positive balance of foreign exchange caused the Republic of Serbia to apply this outlook to all the trade sectors involved in the analysis. The highest value of the surplus was reached by exchanging products that belong to Sector 0 (food and live animals), which were valued at an average of 213.9 million USD.

Sector 1 (drink and tobacco) had an average surplus value of 57.0 million USD, and Sector 4 (animal and plant fat and oil) reached an average value of 15.6 million USD. The lowest value of the surplus was discovered in the exchange of products belonging to Sector 2 (raw materials), which had an average value of 2.1 million USD.

It is important to state that from the Republic of Serbia's point of view, the positive balance of foreign trade exchange was made effective through the exchange of additional trade sectors. The highest surplus was realised through the exchange of products within Sector 4 (cereals and cereal products), which had an average value of 52.8 million USD. The next highest came from products in Sector 1 (drink), with an average value of 43.2 million USD, then products from Sector 2 (dairy products and eggs), with an average value of 41.5 million USD, and finally products from Sector 0 (meat and meat products), which had an average value of 33.5 million USD. The exceptions were products which belong to Sector 21 (raw skin and fur) and Sector 3 (fish and fish products), which had deficits valued at 354 thousand and 205 thousand USD respectively.

The export of agricultural food products from the Republic of Serbia into the market of Montenegro is characterised by an unfavourable structure, in that the total value of high participation export involves primary products or products in lower phases of processing, while the export of those products from Montenegro into the Republic of Serbia is characterised by a significantly more favourable structure, i.e. the participation of products which utilise a higher level of processing. In talking about competitive export strategy, Cvijanović and collaborators (2008) state that in Serbia it is necessary to take the turn (or comparative advantage) that comes from the field of agriculture (through working staff, processing capacities and natural resources) and which stays as an unused export, allowing the development of perspective.

Countries that have developed a tourist market and a population with a higher purchasing power, i.e. tourists, characterise the need for highly processed value, while the placement of primary agriculture products, i.e. products of lower phases of processing, is more difficult. Apart from the fact that it is desirable to base exports on highly processed products, primary products, in their unchanged shape, can exert important influence on the export of agricultural food products into Montenegro, especially through consumption in hotels and restaurants.

It is important to mention that in the case of exporting agricultural food products from the Republic of Serbia into Montenegro, the quality presents one of the key factors of competition. The surrounding countries, primarily the Macedonian Republic and Croatia, are also important producers and exporters of agricultural food products, and in the Montenegrin market they present significant competition to the Republic of Serbia. It would be advantageous to undertake measures that will influence the gradual increase of product participation in high phases of processing, appropriate to the quality of the total export, while bearing in mind what may positively influence appropriate increases in profit.

CONCLUSIONS

The export of agricultural food products from the Republic of Serbia into the Montenegrin market was valued on average at 312.2 million USD. The highest export value came from products belonging to Sector 1 (drinks), as well as Sectors 4 (cereals and cereal products) and 2 (dairy products and eggs), which made up almost half (48.9%) of the total value of Serbian exports over the analysed period.

Products imported from Montenegro to the Republic of Serbia had an average value of 23.6 million USD. Dominant participation in the export had products from the Sector 1 (drink) dominated the import participation, as did products from Sectors 0 (meat and meat products) and 5 (vegetables and fruit).

In the foreign exchange of agricultural food products with Montenegro, the Republic of Serbia attained a surplus valued at an average of 288.6 million USD.

The structure of export for the Republic of Serbia into the Montenegrin market is unfavourable because the raw products, or those that are products in the lower phases of processing, have the greatest participation, while the export of agricultural food products from Montenegro to the Republic of Serbia is characterised by higher participation of final food products, i.e. products of a high processing phase.

It is important that in the following years, economic units with footholds in the countries of Montenegro and the Republic of Serbia notice the possibilities of foreign exchange, and the production of primary products as well as food products in different phases of processing is shown appropriately to potential consumers in the world market.

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**SPOLJNOTRGOVINSKA RAZMENA POLJOPRIVREDNO-
PREHRAMBENIH PROIZVODA REPUBLIKE SRBIJE I CRNE GORE –
STANJE I TENDENCIJE**

SAŽETAK

Sprovedeno istraživanje ima za cilj sagledavanje ispoljenih trendova i strukture razmene poljoprivredno-prehrambenih proizvoda Republike Srbije i Crne Gore. Spoljnotrgovinska razmena analizirana je, prema Standardnoj međunarodnoj trgovinskoj klasifikaciji (SITC), za proizvode u okviru sektora 0- hrana i žive životinje, sektora 1- pića i duvan, dela sektora 2- sirove materije i sektora 4- životinjska i biljna ulja i masti. Istraživanje je bazirano na raspoloživim podacima za vremenski period 2007-2011. godina.

U okviru navedenih sektora detaljno je analizirana spoljnotrgovinska razmena po odsecima proizvoda (dat je pregled najznačajnijih odseka u bilansu spoljnotrgovinske razmene navedenih zemalja, a u okviru odseka predstavljeni su proizvodi koji dominiraju u razmeni).

Pored obeležja trgovine, u radu je ukazano i na mogućnosti poboljšanja saradnje Srbije i Crne Gore sa stanovišta razmene poljoprivredno-prehrambenih proizvoda koji se nalaze u okviru navedenih robnih sektora.

U razmeni poljoprivredno-prehrambenih proizvoda sa Crnom Gorom Republika Srbija je u analiziranom periodu ostvarila suficit koji je prosečno iznosio 288,6 miliona USD. Posmatrano po odsecima proizvoda najveći suficit ostvaren je u razmeni žitarica i proizvoda od žitarica, prosečno 52,8 miliona USD, dok je trgovinski deficit ostvaren kod razmene ribe i prerađevina i sirove kože i krzna koji je prosečno iznosio 205, odnosno 354 hiljade USD.

Ključne riječi: poljoprivredno-prehrambeni proizvodi, spoljnotrgovinska razmena, Republika Srbija, Crna Gora