IMPACT OF ECONOMIC POLICY ON THE MANAGEMENT OF COMPETITIVENESS OF THE AGRICULTURE SECTOR IN SERBIA

Dušan Aničić¹, Miloje Obradović², Svetlana Vukotić³

Summary

There is a tendency of increase and change in the structure of demand for the products from agricultural sector in the modern global environment. Such situation demands market orientation of agricultural producers, from business entities to individual agricultural holdings, in order to offer the appropriate response to the changes in the environment conditions and new market demands. The entrance and survival in the developed world market demand raising the competitiveness of agricultural sector which cannot be based on the low input prices alone (land, workforce), but the application of modern knowledge and innovation, that is, the synergistic effect of all the competition factors. For their part, the state and local governments should create an encouraging social and economic environment for agriculture and rural development, especially in undeveloped regions and areas of the Republic of Serbia. The undeniable agricultural potentials can significantly contribute to foreign trade balance improvement, public debt reduction, unemployment decrease and increase of the living standard of the population.

Key words: competitiveness, agriculture, economic policy, Serbia

JEL: Q11, Q13

Introduction

The Republic of Serbia is very suitable for agricultural production: large and high-quality areas of arable land, favourable climate conditions for all agricultural crops,

¹ Dušan Aničić, Ma, Ph.D. Student, Union - Nikola Tesla University, Cara Dušana 62-64, 11000 Belgrade, Serbia, Phone: +381 64408 26 92; E-mail: anicic.dusan@yahoo.com
² Miloje Obradović, Ph.D., Associate Professor, Commission for the Protection of Competition, Savska br. 25 / IV, 11000 Belgrade, Serbia, Phone: +381 64859 14 50; E-mail: predsednik@kzk.gov.rs
³ Svetlana Vukotić, Ph.D., Full Professor, University Business Academy - Novi Sad, Faculty of Applied Management, Economics and Finance, Jevrejska 24, 11000 Belgrade, Serbia, Phone: +381 63801 61 86; e-mail: cecavukotic@gmail.com, svetlana.vukotic@mef.edu.rs
Dušan Aničić, Miloje Obradović, Svetlana Vukotić

rich flora and fauna, rich tradition and developed scientific institutions are all priceless treasure of Serbian agriculture. However, the results of numerous research show that the competitiveness of Serbian agriculture is based on the cheapest production factors when compared to other countries (land, workforce, other inputs). Serbia is in EU accession process so approaching the European model of doing business is imposed as the imperative, as well as the need for enterprises and agricultural holdings in agribusiness to build and preserve their competitive advantages. That will be a very difficult and long road, taking into account a number of traditional weaknesses in agricultural policies during the complete transitional period.

The absence of clear state strategy for agricultural sector development is obvious in the agricultural policy after the year 2000. The institutional and legislative reforms have been initiated but not finished yet. The insufficient budget resources caused the inability to solve the problems in the field of stimulating rural development and financing of agriculture. The budget for agriculture is significantly lower than the needs, with 4% average participation for the period from 2010 to 2016. Plant production had 66.6% share and cattle production had 33.4% share in the total value of agricultural production in 2016, while the ratio of plant and cattle production is reversed in the developed EU countries, which points to a high share of production with low added value, that is, low level of processing. Although the sector of agriculture shows a surplus in foreign trade, there is a great potential for export structure improvement and increase in the value of agricultural commodity production, both by the agricultural enterprisers as well as agricultural holdings.

The aim of this paper is to point out the necessity and possibility for agriculture sector competitiveness increase, both for enterprises as well as individual agricultural holdings. Regardless of the numerous traditional weaknesses, the participants in the agricultural chain should use the global increase in the demand for agricultural products in the future. The prerequisite for this is market orientation of the agricultural sector based on the sustainable management of natural resources and environment protection.

Competitiveness factors in the sustainable development of agriculture

The issues of competitiveness improvement in the national economy are given considerable attention as one of the key strategic tasks of every country. The competitiveness level of the national economy and its business entities tell us about the ability of the country for goods and service production in the competitive conditions, the realization of which increases the level of the living standards for the population and the opportunity for long-term sustainable growth and development. Competitiveness analysis offers the answers to the questions why the economy of a certain country is more or less successful than the surrounding countries, as well as on a wider scale. There are a number of indicators of the competitiveness level of the national economy, such as world market share, export or level of national income per capita. The task of the state is reflected in the creation of the favourable macroeconomic business conditions that lead to the growth of the competitiveness of individual enterprises, branches and the entire national economy.
According to Porter (2008), the key competitiveness factor is productivity, but it is also influenced by the macroeconomic environment, economic policy of the state, workforce costs, natural resource availability, differences in the types of management and the relationships between the management and workers. Kuznecov (2005) thinks that competitiveness is determined by the quality of the economic institutions and their contribution to the formation of the favourable business conditions on one hand, and the ability of the companies and branches to use these conditions for sustainable competitive advantage creation and development on the other hand. Due to all the above mentioned, the formation of high-quality and efficient institutions that rely on human capital and foreign technology attraction is one of the successful ways of solving the problem of sustaining the macroeconomic dynamics.

The differences in the economies of individual countries in their cultures, population, infrastructure, the way they manage the national values, even in history, influence the level of company competitiveness as well as the entire economy in different levels. Despite the increasing influence of the globalisation process, national competitiveness is determined by a set of factors which depend on the specific, local conditions (Porter, 2008). But large share of these factors are influenced by the state with its policies, measures and institutions.

The term competitiveness is defined in the Global Competitiveness Report as a set of factors, policies and institutions which determine the productivity level in a country (World Economic Forum, 2006). OECD defines international competitiveness as a measure of advantage or disadvantage of a country from the aspect of the placement of its products in the international market. Garelli (2009) defines competitiveness of a country as a field of economic theory which analyses the facts and policies that shape the capability of a country to create and maintain the environment which creates values for the companies and prosperity for its population.

Porter (1990) defines competitiveness as the national economy capability to use natural resources, physical and human capital. He integrates these factors into a homogenous unit because it is impossible to become and remain competitive in the long-term period at the national or global level unless there is a clearly defined strategy of natural resource usage, as well as macroeconomic policy which has to follow, and it should be aligned with the goals given in the strategy. Rosic and Veselinovic (2008) think that the competitiveness of a national economy is not an isolated phenomenon but an interdisciplinary phenomenon that arises from both internal and external environment.

According to the New Global Competitiveness Index (NGCI), not all the countries are identical in their starting positions in the international competition, and therefore they also have different starting points in achieving competitiveness. According to this parameter, the competitiveness level of a country is determined by the action of three factors (Savic, 2010), and they are: succession, macroeconomic and microeconomic competitiveness. There is a relatively solid natural resource potential in Serbia which can be a good foundation for the economic development in the future. However, so far
the economic policy has not paid enough attention to natural resources, and therefore its macroeconomic results are among the weakest ones in Europe.

Nowadays, the agricultural producers in Serbia face different business conditions that are reflected in much more competition in the local market on one hand, and open possibilities for exit into large international markets such as EU or Russia on the other hand. The exit into foreign markets is possible if the products are competitive compared to foreign producers. This competitiveness should not be based on low input price alone, but on modern knowledge and innovation application, that is, synergistic effect of all the competitiveness factors as well.

Although many strategic documents point out a great importance of agriculture and rural areas, the state and local governments have not yet created sufficiently encouraging social and economic environment for rural and agriculture development, especially in certain regions and areas of the Republic of Serbia. There are still many weaknesses present, from unfavourable age structure, out-dated machinery, unregulated market of agricultural products and insecure placement, insufficient irrigation, underdeveloped rural infrastructure, price disparity, etc. The development of SMEs sector and entrepreneurship in agriculture could largely reduce the above mentioned weaknesses and turn them into development opportunities for our country. This can be said especially if we bear in mind the tendency of increasing demand for (organic) agriculture products, rural tourism development, European integrations as well as the announcement of the larger support of the state for the development of this sector.

The development of modern agriculture demands knowledge and innovations in a number of areas (Asenso-Okyere, Davis, 2009), from technology, development of modern institutions, appropriate and timely agricultural policy to organisation (public and private groups and companies which have to innovate in order to become more efficient and more effective in the services they offer). Intensive inclusion of Serbia in international integration processes imposes an additional need for companies and other subjects of agricultural economy to create and carry out knowledge transfer in order to build, preserve and strengthen the competitive advantage. Knowledge as a source of innovation and successful adaptation to the changes in demand by increasingly demanding customers represents the key determinant for successful dealing with competition, preservation of the existing as well as the conquest of new markets (Vasiljevic, Savic, 2014).

The competitiveness of Serbian agriculture is mainly based on cheaper production factors when compared to other countries (land, workforce...), and that it results in the provision of competitive prices for food and agricultural products. However, the permanent sources of competitive advantage must be found in other areas, primarily in knowledge application and innovations. The success of the company depends on the level of the available knowledge, the way the knowledge is applied and the speed it acquires new knowledge. The traditional factors of production in agriculture (land, workforce, capital) are of secondary importance. The goal of knowledge management
is to transfer the information and intellectual knowledge into sustainable value. The efficient system for knowledge management in agriculture provides the outputs in terms of technology, software, trained professionals, information and other elements necessary for a continuous development of agriculture. All the participants are both the source and users of knowledge and information simultaneously, so that the knowledge from other areas has growing importance in successful business of the people from the sector of agriculture (Engel, 1990).

According to Stefanovic and Brocic (2012), there are tendencies nowadays, at the global level, encouraging more coherent development and increase of food production, as well as fast, rational and organised distribution of agricultural and food products all over the world. The economic theory explains that the larger share of agricultural and food products export in the total export of the country points, as a rule, to its lower economic level. However, the export of agricultural products is a very important item in foreign trade balance in some of the developed countries of the world (Holland, Denmark, France etc.). Byerlee et al (2009) point out that every country should recognise multiple functions of agriculture and its influence on the total economic development.

The importance of agriculture in the EU can be understood on the basis of several information that illustrates the role of this sector in the economy of that community. Thus, for example, agriculture and food industry provide over 15 million work places in the EU, that is, 8.3% of all employed citizens of the Union. This percentage varies considerably among different countries: in the „old“ EU members (15 industrially developed countries of the western Europe) the average value is 4%, whereas in the „new“ EU members (Romania, Bulgaria, Slovakia, Hungary) more than 12% of the total workforce works in agriculture and food industry (Vapa-Tankosic, Stojsavljevic, 2014).

Gulan (2016) expects that agriculture brings economic development, that it increases gross domestic product and that it is the backbone of the overall economic stability. Agriculture is a real economic field which directly brings almost 15, and indirectly even up to 40 per cent of domestic product, while it takes part in the export of the country with cca 23 per cent. This is the reason to encourage the development of agriculture in order to maximally valorise natural, human and processing capacities which are used only with a third of possibilities. The effective usage of agricultural potential is possible if small agricultural producers are connected to the markets in such a way to achieve a larger profit and other benefits (Zakic et al, 2014).

The role of the state in agriculture development is reflected in the definition of the frame for political and institutional changes which contribute to more efficient development of agricultural sector and the increase of the living standard of the population from the rural areas. Agriculture needs a stable and efficient long-term policy which will give successful answers to both internal and external challenges, such as (Strategy, 2014):

- The need to reduce the lagging process in technological development compared to the competitive countries and enable more efficient facing of the agricultural sector with the climate change effects;
The necessity to increase food chain efficiency, and agricultural and food sector competitiveness;

The provision of stable income and business environment for farmers and other entrepreneurs;

The achievement of economic, environmental and social goals of sustainable development, where multifunctional agriculture and rural tourism have a special place;

The willingness to meet the demands which come out of the EU and World Trade Organisation accession process.

The development of agriculture should be based on the concept of sustainable development with environment protection and sustainable management of natural resources. There are indisputable opportunities for a large increase in production volume and competitiveness increase in Serbia not only in the local-regional but also in a wider environment.

The potentials of agriculture and the results achieved in the period of transition

The level of development achieved by agriculture in Serbia is the result of the situation which followed the period after the war and agricultural policy conducted during the period of transition. The development of agriculture was mainly based on the social sector, through agricultural cooperatives and large agro-industrial companies. Agriculture was neglected during the entire post-war period in comparison to industry and other areas of economy, especially through price disparities at the expense of agriculture which remain even today. A slower growth of agriculture is also the result of inconsistencies in formulating and implementing the concept of development and neglect of the private sector in economic policy. Regardless of such a situation, the significance of agriculture in the foreign trade balance of Serbia and in the total employment should be emphasised, considering the problems of the country’s indebtedness as well as a high unemployment rate (Anićic et al, 2016).

Disregarding a great influence of agricultural sector, there is still not social and economic environment sufficient enough for the development of rural areas and agriculture, especially in certain regions and areas in the Republic of Serbia (Ristic, 2013). The level of development of agricultural sector has not even close to be achieved, nor the possibilities for integral long-term development of agriculture and rural areas and their contribution to the development of the local economy and society. Primary agricultural production is not functionally connected to the other sectors of the economy such as processing industry, trade, tourism, water management, forestry, education, health care, etc. Developed agriculture in rural areas raises competitiveness of the entire local economy and it is a holder of employment for the population of those areas.

On one hand, Serbia possesses great comparative advantages for the development of agriculture, such as the fertile land, tradition, other natural resources, favourable climate conditions, etc; but there are numerous weaknesses preventing the above
Impact of Economic Policy on the Management of Competitiveness of the Agriculture Sector in Serbia

mentioned advantages from the efficient usage on the other hand. They are, among others, out-dated machinery, unfavourable age structure, uncertain placement of the final products, price disparities at the expense of the agricultural products, insufficient area under irrigation, etc.

The share of the agri-food products in the foreign trade exchange is cca 23% when it comes to exports (Table 1), although imports are rather high in this sector during the observed period, and they range from around 8% in the total import to the entire 11.9% in 2015. As for exports, there are great possibilities for export structure improvement in terms of higher share of final processing products with higher added value in comparison to the primary products. It is a characteristic of import to often use the products of auspicious quality and lower price although we have surplus in production in the local market (meat, milk, certain products in olericulture, etc).

Table 1. Foreign trade commodity exchange of agri-food products for the period between 2010 and 2016, (millions of euros)

| DESCRIPTION                   | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|
| export in agriculture         | 1.688 | 1.937 | 2.106 | 2.104 | 2.315 | 2.819 | 2.898 |
| the share of agriculture in the total export (%) | 22.8  | 22.9  | 24.9  | 19.1  | 20.8  | 23.4  | 21.6  |
| import of agri-food products  | 903   | 1.010 | 1.163 | 1.227 | 1.310 | 1.950 | 1.275 |
| the share in the total import (%) | 7.3   | 7.1   | 8.2   | 7.9   | 8.5   | 11.9  | 7.3   |
| trade balance of agri-food products | 785   | 927   | 943   | 877   | 1.005 | 869   | 1.624 |
| coverage of import by export (%) | 186.9 | 191.8 | 181.1 | 171.5 | 176.6 | 144.5 | 227   |

The source: Statistical Office of the Republic of Serbia, 2017; Chamber of Commerce and Industry of Serbia, 2017.

Business entities in the sector of agriculture as well as agricultural households have to accept the principles of market and entrepreneurial behaviour. Regardless of the existing (and future) support of the state for development and competitiveness of this sector, it will mainly depend on the entrepreneurial initiative of the business entities in the area of agriculture. New technology development, conquering new markets and work productivity increase have to be priorities over the expectations of various stimulations and encouragements by the state authorities. There is a special problem concerning these issues for family households from the area of agriculture because they have the weakest position in comparison to all the participants in production and product realisation – such as warehouses, cold storages, domestic trade chains, exporters.

Family households need support and education in terms of association (cooperatives, clusters, etc.) and the protection of the geographical origin of their products. Modern market is looking for a stable offer and continuous supply which cannot be achieved.
without associations. Also, state owned agricultural land should be sold to a great extent or offered for a long-term lease to the local farmers, to be paid for through agriculture products delivery. This would be the way of achieving multiple positive effects: the land would be used in a more efficient way, the young would remain in rural areas, the pressure of cheap workforce in large cities would be reduced, etc.

The characteristics of the agricultural policy since 2000 until now are the absence of a clear state strategy in the development of the agricultural sector. Institutional and legislative reforms have been started but they have not been completed. Insufficient budget resources caused the inability to solve problems in the area of encouraging rural development and financing of agriculture. Since 2005, the Republic of Serbia has been in the process of negotiations to join the World Trade Organisation (WTO), according to which it is obliged to cancel direct incentives for agricultural production. The agricultural budget is much lower than necessary, with the average share of 4% for the period from 2010 to 2016 (Table 2).

Table 2. The agricultural budget and its share in the budget of the Republic of Serbia from 2010 to 2016, (000 of dinars)

| Year | National budget | Agricultural budget | The share in the national budget |
|------|-----------------|---------------------|---------------------------------|
|      |                 | Total               |                                 |
| 2010 | 825,884,900     | 25,621,810          | 3.8                             |
| 2011 | 824,575,900     | 33,676,000          | 4.1                             |
| 2012 | 1,018,633,400   | 40,876,000          | 4.0                             |
| 2013 | 1,040,014,300   | 44,699,500          | 4.3                             |
| 2014 | 1,110,121,000   | 45,427,200          | 4.1                             |
| 2015 | 1,082,988,200   | 45,308,200          | 4.2                             |
| 2016 | 1,085,308,426   | 40,600,000          | 3.7                             |
|      |                 |                     | The average share 4.0           |

The source: *The Law on Budget of the Republic of Serbia from 2010 to 2016*

Plant production had 66.6% share and animal husbandry production 33.4% share in the total value of the agricultural production in 2016. In comparison to 2015, net index of production physical volume increased for 8.3%. Plant production was higher for 18.9% compared to the previous year, and the highest increase was in crop production 24.7%. The increase in production value was 18.8% for wheat, 35.2% for corn, 22.9% for sugar beet and 42.1% for sunflower. The value of animal husbandry production is 1.7% lower compared to the previous year, and within the animal husbandry production cattle breeding is 0.7% lower, sheep farming is 10.9% lower, but 4.5% higher in pig farming (Statistical Office of the Republic of Serbia 2017). High growth rate in 2016 is partly the result of the decline in agricultural production in 2015 in comparison to 2014 and 2013 (Table 3).
Table 3. The movement of agricultural production, goods and services from 2011 to 2016, producer prices, Millions of dinars

| Description                        | 2010       | 2011       | 2012       | 2013       | 2014       | 2015       | 2016       |
|------------------------------------|------------|------------|------------|------------|------------|------------|------------|
| Total production of goods and services | 466.811    | 519.959    | 502.684    | 544.441    | 569.387    | 525.466    | 574.441    |
| Plant production                   | 328.980    | 359.103    | 324.451    | 358.223    | 376.110    | 342.762    | 404.269    |
| Animal husbandry production        | 126.771    | 150.022    | 167.146    | 173.245    | 178.528    | 169.038    | 155.429    |
| Services in agriculture            | 11.058     | 10.834     | 11.087     | 12.972     | 14.748     | 13.665     | 14.742     |

The source: Statistical Office of the Republic of Serbia, 2017

Challenges and development perspectives of the agricultural sector

The biggest economic problems in the way of economic growth and development in the economy of Serbia are high unemployment rate, high foreign trade deficit and insufficient investment growth. The sector of agriculture can largely change the unfavourable picture of the economy in Serbia by its resources and other potentials. It refers to both small and medium-sized enterprises in the area, as well as the family farms. Small family households with their number and economic potentials are an indispensable part of the Serbian economy, although often on the edge of profitability, and as such, they demand a special treatment within the agricultural policy.

The importance of family households is also reflected in the fact that the United Nations declared 2014 as the International Year of Family Farming. In the countries that are new EU members, family farms are recovering after a long period of forced collectivisation, and that is also the case with the family households in Serbia. The advantage of family farming is that it can adjust better to the changes in technology, economy, social and political conditions. In order to reduce price connected risks, the farmers avoid large and risky investments into a single activity. Those using credit resources do it carefully, sustaining the debt at the reasonable level in comparison to the estate and the value of the property they own.

A set of laws is in force or in preparation in the Republic of Serbia, aimed at establishing the instruments for financing and business risk management in the sector of agriculture. Some of the most important ones are the Law on Incentives in Agriculture, the Law on Financing and Securing Finances for Agricultural Production, the Law on Public Warehouses for Agricultural Products and the Draft on Commodity Exchange Law. The Law on Subsidies in Agriculture and Rural Development aims at enabling the predictability for the work of agricultural producers, protecting producers, improving competitiveness, enabling better budget resource planning and harmonisation with the EU regulations.
Passing the law on commodity exchanges will provide the opportunity for safer daily trading and the establishment of forward market of agricultural products. That will increase the loan volume by the commercial banks for the sector of agriculture because the banks will be able to secure the value of goods as collateral for the loan according to the principle of hedging strategy and in this way, grant a higher loan amount. Agricultural production in the Republic of Serbia is significantly lower in almost all areas in terms of yield compared to the EU countries, so that it is necessary to direct the subsidies in the Republic of Serbia as much as possible to agricultural products yield and quality increase, similar to the policy of subsidies in the EU countries.

The problems that repeat for many years are mutual relationships among agricultural producers, warehouses, cold storages, exporters and tradespeople. For example, there is always a problem with raspberries and it is the share of producers and cold storage owners in raspberry export prices which vary in different periods, depending on the world prices and the yield in other areas (Poland, Chile and other countries). The producers often get the delayed data about the world prices from the associations in charge of following them. Also, there are new varieties and innovations in production which threaten the traditional ones. Hypermarkets, on their behalf, favour the varieties easier for manipulation, and the frozen raspberry market is often oversaturated because it is becoming the stock goods for processing so the low price dominates over quality.

Apple producers should take advantage of the existing situation about the increase in demand for our apples in Russia (largely due to the Russian counter-sanctions to its permanent suppliers from the EU). High profits should be used for modernisation and efficiency increase in production and cost reduction because this situation will not last for a long time due to Russia’s orientation to its own production and reduction of dependence on imports.

Fattener producers are exposed to the influence of cyclic prices even more than the producers in plant production. There is also the openness of the domestic market for imports, reduction of customs duties, price equalisation with highly competitive producers from the EU, etc. A specific problem in cattle breeding is low purchase price of milk and reduction in the number of dairy cows and fatteners, so that regardless of the approved export quotas for beef meat of 8700 tons, Serbia only exports 2000 tons due to low production level. There are certainly great opportunities here to realise significant foreign exchange inflow with more efficient production because there is a demand much higher than our current production capabilities. This fact is also the proof of the necessity for the consistent agricultural policy because short-term wrong steps cause long-term losses for agricultural producers.

Desirable activities for the improvement of small family household status are vertical association (connecting producers to the market) as well as horizontal connection (interconnection of producers). Investments are necessary for equipment, machinery and facilities modernisation, as well as domestic product processing and branding with the aim of creating a product with higher added value. The establishment of market distributive centres, logistic support, the strengthening of knowledge transfer and new
technology system are all necessary measures for raising competitiveness and life standard of the population in rural areas. Also, organic production is a great chance for small family households in view of the awareness about the significance of healthy food, as well as a global increase in demand for food products.

The important shift in the development of agriculture offers the financing possibility through IPARD – the Instrument for Pre-Accession Assistance for Rural Development. This instrument will help the implementation of the Common EU Agricultural Policy in Serbia. The measures of the IPARD programme for 2014-2020 policy envisage two stages, and they are: the investments in physical property of agricultural households, the investments in agricultural product processing and marketing, the investments in diversification of activities and business development within the household, as well as technical support in the first stage. Local action strategy preparation and implementation – LEADER approach – is planned for the second stage, agricultural and environmental measures and organic agriculture.

The characteristics of food industry are low level of capacity usage, and thus low efficiency. Larger capacity usage is present in meat, sugar and milk industry, while tea, mineral water, beer and non-alcoholic beverage industries use 75-85% of the existing capacities (Strategy, 2014). The characteristics of food sector is an expressed dual structure that is made up of a large number of big, modern business entities, and much more of several small and medium-sized enterprises. Small and medium-sized enterprises possess insufficient resources for investments in the latest technology, which has a negative effect on production efficiency and product quality.

Agricultural cooperatives are practically devastated during the period of transition. They were excluded from the privatisation process, but the unsolved property relations, especially the impact of the grey economy led to their collapse. This is the type of environment where cooperatives had no access to the capital market and they did not even use the incentives from the Ministry. There was a lack of cooperation as well, except in the narrow, local areas. The other associations of producers, although significant in numbers, are underdeveloped, with a low professionally level and lack of managerial staff. Consequently, these associations have a weak bargaining power due to dependence on the processing industry.

Lending is an indispensable condition for the development of small and medium-sized enterprises in agribusiness. Farmers and SMEs in agriculture have the weakest access among all sectors to financial resources in Serbia, offering a poor volume of credit products with excessive interest rates and return periods that are not adapted to agricultural production. The existing mechanisms in agricultural finances are inadequate, and changes should be made in the approach itself. It could be provided through the institutional support, share capital of banks, credit associations and leasing companies. Under the circumstances, the development of small and medium-sized enterprises in agribusiness should take place through family agriculture households (Bogavac-Cvetkovic et al, 2010, p 164).
According to the Business Registers Agency data (2017), the achieved rates of return on the assets engaged in agriculture sector are up to 2.6%, and they are far lower than the interest rates that exceed 10% for certain types of commercial loans. In this way, the competitiveness of the economy in the international market is reduced in the long run. The situation would be significantly changed with the formation of a national development bank, which would be professionally and politically-driven, finance long-term projects important for the overall development of the economy, and it would be particularly relevant for the agriculture sector. All of the above mentioned facts indicate that the new agricultural policy must be based on modern management according to the model and experiences of the developed European countries that we strive for in our strategic orientation.

**Conclusion**

It is an undeniable fact that the sector of agriculture and rural areas in the Republic of Serbia possesses significant resources, both in terms of their volume and diversity. This offers great opportunities for production growth, production and service diversification, and the creation of new, innovative products. On the other hand, serious efforts are necessary for structural reforms in the sector of agriculture and rural areas, with the aim of strengthening their efficiency and competitiveness. Agricultural policy should provide a response to the influence of globalisation that exposed this sector to the fundamental changes, some of the most important being: the increase in industrial production, production differentiation, changes in food demand structure and volume, food supply chains consolidation, etc. All of these things cause a large increase in production risk, especially for small farmers and family households.

Serbia has a strategic interest in further development of the agricultural sector, from the physical growth of production volume, the adjustment to the changed market demands to the provision of competitiveness growth among all the participants in the chain of production, processing and turnover of agricultural products. The increase in the competitiveness of this sector should provide sustainable management of natural resources, poverty reduction and life quality improvement in rural areas. This is the way to reduce (prevent) negative migrations from rural areas to urban centres, especially among the younger population.

**Literature**

1. Agencija za privredne registre, *Saopštenje o poslovanju privrede u Republici Srbiji u 2012, 2013, 2014, 2015 i 2016 godini*

2. Aničić, J., Vukotić, S. and Krstić, S. (2016). *The results achieved and the strategic aspects of agriculture development in Serbia in the period of transition*, Economics of Agriculture, vol. LXIII, no 1, pp 175-189.

3. Asenso-Okyere, K. and Davis, K. (2009). *Knowledge and innovation for agricultural development*, IFPRI Policy Brief 11.
4. Bogavac-Cvetković, N., Ilić, B. i Milićević, V. (2010). Globalizacija i konkurentnost agrarnog sektora Srbije, Ekonomske teme, god. XLVIII, br. 1, str. 159-167.

5. Byerlee, D., Janvry, A. and de, Sadoulet, E. (2009). Agriculture for Development: Toward a New Paradigm, Annual Review of Resource Economics, Vol. 1, pp.15-31.

6. Engel, P. (1990). Knowledge management in Agriculture: Building Upon Diversity; The International Journal of Knowledge Transfer, Vol. 3, No. 3, pp. 28-35.

7. Garelli, S. (2009). The Fundamentals and History of Competitiveness, IMD World Competitiveness Yearbook

8. Gulan, B. (2016). DRŽAVA I SELO 1 Spasavanje sela i poljoprivrede, www.makroekonomija.org, Postavljeno: January 9, 2016.

9. Кузнецов, Б. (2005). Гипотеза синергетического рынка б свете феноменологической теории фазовых переходов Л. Ландау, Бопроси экономики, 8, 48-53.

10. Porter, M., E. (1990). The Competitive Advantage of Nations, London: Macmillian

11. Porter, M., Delgado, M., Ketels, C. and Stern, S. (2008). Moving to a New Global Competitiveness Index, The Global Competitiveness Report 2008-2009, 2008 World Economic Forum, pp. 43-63.

12. Privredna komora Srbije (2017). Spoljnotrgovinska razmena poljoprivrede i prehrambene industrije Srbije sa svetom u 2016. godini

13. Republički zavod za statistiku, (2017). Statistički godišnjak R. S. – Poljoprivreda 2017.

14. Ristić, L. (2013). Strategijsko upravljanje održivim ruralnim razvojem u Republici Srbiji, Ekonomski horizonti, vol. 15, br. 3, str. 229-243.

15. Rosić, I. i Veselinović P. (2008). Nacionalna ekonomija, Ekonomski fakultet, Kragujevac

16. Savić, N. (2010). Novi indeks konkurentnosti i rang Srbije, u Savić, N., Pitić, G., (ur), Kuda ide konkurentnost Srbije, Beograd, FEFA, str. 9-35.

17. Stefanović, R. i Bročić, Z. (2012). Kvalitet kao determinanta rasta izvoza poljoprivredno-prehrambenih proizvoda Republike Srbije; FQ2012-Festival kvaliteta, pp. A267-A273.

18. Vapa-Tankosić, J. and Stojsavljević, M. (2014). EU Common Agricultural Policy and Pre-accession Assistance Measures for Rural Development, Economics of Agriculture, Vol. 61, No. 1, pp. 195-210.

19. Vasiljević, Z. i Savić, B. (2014). Znanje i intelektualni kapital – izvori konkurentske prednosti srpske poljoprivrede, Ekonomski vidici, XIX, br. 1, str. 11-24.

20. Vlada Republike Srbije (2014). Strategija poljoprivrede i ruralnog razvoja Republike Srbije za period 2014-2024. godine, („Sl. glasnik RS“, br. 85/2014)

21. World Economic Forum, (2006). The Global Competitiveness Report
Sažetak

U savremenom globalnom okruženju prisutan je trend povećanja i promene strukture tražnje za proizvodima poljoprivrednog sektora. Takva situacija zahteva tržišnu orijentaciju proizvođača agrarnih proizvoda, od privrednih subjekata do pojedinačnih poljoprivrednih gasdinstava, da bi se dao adekvatan odgovor na promenjene uslove okruženja i nove tržišne zahteve. Ulazak i opstanak na razvijenom svetskom tržištu zahteva podizanje konkurentnosti proizvođača agrarnog sektora, koja se ne sme zasnovati samo na niskoj ceni inputa (zemljište, radna snaga), već na primeni savremenih znanja i inovacija, odnosno na sinergetskom efektu svih faktora konkurentnosti. Sa svoje strane, država i lokalne samouprave treba da kreiraju podsticajan društveno-ekonomski ambijent za razvoj sela i poljoprivrede, naročito u nerazvijenim regionima i oblastima Republike Srbije. Nesporni poljoprivredni potencijali mogu značajno da doprinesu poboljšanju spoljno-trgovinskog bilansa, smanjenju javnog duga, smanjenju nezaposlenosti i povećanju životnog standarda stanovništva.

Ključne reči: konkurentnost, poljoprivreda, ekonomska politika, Srbija

4 Ma Dušan Aničić, student dr studija Univerzitet Union-Nikola Tesla, Cara Dušana 62-64, 11000 Beograd, Srbija, tel. +381 64408 26 92; e-mail: anicic.dusan@yahoo.com
5 Dr Miloje Obradović, vanredni profesor, Komisija za zaštitu konkurencije, Savska 25/IV, 11000 Beograd, Srbija, tel. +381 64859 14 50; e-mail: predsednik@kkz.gov.rs
6 Dr Svetlana Vukotić, redovni professor, Univerzitet Privredna Akademija u Novom Sadu, Fakultet za primenjeni menadžment, ekonomiju i finansije, Jevrejska 24, 11000 Beograd, Srbija, tel. +381 63801 61 86; e-mail: cecavukotic@gmail.com, svetlana.vukotic@mef.edu.rs