

THE INFLUENCES OF THE MARKETING METHODS ON THE INTERNATIONAL TRADE WITH AGRO-PRODUCTS¹

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Abstract

This paper examines the international marketing program for agricultural and food products from Serbia, in order to encourage the development of rural areas. The desk research was used in realization of the research task. At the same time, quantitative methods were used, especially time series analysis. The diagnosis of the condition in this area indicates that successful participation in the international market is restricted by insufficient assortment of agri-food products compared to the current market offer in the developed world, while the research for the better utilization of existing capacities by introducing new production lines and products is neglected. One of the main limiting factors is the quality variation of market products either due to the lack of standards or the non-compliance with the existing standards. At the same time, the agricultural sector should stimulate the development of more propulsive and competitive agriculture, which is made up of commercial and family farms, engaged exclusively in agriculture and / or engaged in agriculture in terms of additional revenue sources. The results of the research show that it is necessary to involve small-scale producers into modern market chains because they are insufficiently competitive, they trade in the informal channels, and cost of their standards implementation is high.

Key words: *agriculture, international marketing, rural development, competitiveness, standards.*

Introduction

Agriculture is one of the pillars of economic development of the Republic of Serbia, and its importance to the national economy bears not only economic but also

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social and environmental component. However, despite the great potential in the sector of agricultural production as a result of favourable climatic conditions, natural soil properties and available water resources, it is not optimally utilized. Because of such potential, agriculture in Serbia does not represent a common economic branch, considering that in all municipal or regional strategies it has been defined as one of the strategic directions of development. Development of farmers in rural areas implies their full integration into the system of Serbian agro-complex. Contemporary agricultural production is characterized by a high dependence of all segments of the agro-complex, which is an important subsystem of the national economy and which includes: (1) the means of production in agriculture and the food industry; (2) primary agricultural production; (3) agriculture and food processing industry (into the ready-made industrial food and industrial non-food products); (4) agri-food products marketing, and (5) final consumption of food. The main characteristics of this great subsystem is the complexity of functional relationships and interdependence of all the individual segments (Milanovic 2002, 35).

The disintegration of the agro-industrial conglomerates in the 1990s caused the institutional and organizational disorganization of agricultural product markets in Serbia. The condition for revitalizing the market of agricultural products was made primarily by privatizing the processing capacities, and later by strengthening the food market chains.

In the production of food in Serbia there is a relatively well-integrated production and income chain only in the production of industrial crops, fruit and vegetables, milk etc. These are the segments of the system that have a stable placement in the domestic and foreign markets and that have been privatized in the initial stage of privatization. Accordingly, the Serbian agriculture is expected to increase the overall level of competitiveness in terms of product quality and price along with simultaneous adjustment of production, processing and placement with international standards. In order to meet these requirements, it is necessary to encourage restructuring in agriculture in order to redeem the negative effects of changes on the stability of agricultural production, and to enable the economic actors in this field to be competitive in business.

Methods of research

The desk research was used in realization of the research task, in which data dominantly relate to: the characteristics of rural areas in Serbia; agriculture and food industry; export markets and export products of the agricultural sector in Serbia; as well as the international marketing program of agri-food products. The analysis of export markets is focused on market segments: the market of the European Union, CEFTA market and the market of the Russian Federation. Accordingly, this research involves the use of data from official sources: the data of the Serbian Statistical Office, materials from Serbian Chamber of Commerce and the like, domestic and foreign literature; internal documentation of the Institute of Agricultural Economics in Belgrade. Also, quantitative methods were used, especially time series analysis. By combining the aforementioned research methods more reliable answers to key questions that arise in the context of the analysis of international marketing of agri-food products can be obtained, which primarily contributes to the development of rural areas in Serbia.

Characteristics of rural areas in Serbia

Agriculture is an important segment of the overall rural economy, not only in economic but also in social and cultural terms. Agriculture is also the most important activity in the majority of rural communities and of great importance to the way of life in rural areas. However, agriculture and farmer in modern rural community should be closely linked with other industries and occupations (Milic 2015, 27). That is why nowadays isolated observations and problem solving do not give successful results. Only a comprehensive plan of small rural areas development based on the principles of sustainable development has resulted in the EU as a successful model of revival and progress of underdeveloped rural areas. The Republic of Serbia has no official definition of rural areas, considering the fact that there is still no compliance with the geocode standard of the EU according to which Europe is divided into administrative regions (the so-called NUTS regionalization).

The criteria applied by the Republic Statistical Office (RSO) do not include standard rural indicators which are common in international practices, such as: population quantity and density, the percentage of agricultural workers in the population, etc.. In line with this approach, rural areas are considered to be residual parts of the country, and this classification is based primarily on municipality level decisions which assign the town (urban) status to a community which has a

general town plan. This approach makes it harder to make statistical analysis and interpret the indicators of rural areas in Serbia. This Strategy envisions a change in the categorization methodology of the Republic Statistical Office until the NUTS regionalization is complete. By the altered categorization, rural areas are all populated areas except 24 cities that received that status in accordance to Serbia's Law of territorial organization (Official Gazette of RS, no.129/07). Considering that both Belgrade and Niš have municipalities with significant agricultural production, the OECD rural classification has been applied there.

The dominant part of the rural labour force in Serbia, ie. the dominant part of the active rural population in Serbia works in agriculture, which puts Serbia among the most agrarian European countries. This is primarily the result of insufficiently developed and diversified economic structure, which is still largely dependent on agriculture and the food industry. Lack of jobs and reduced employment opportunities are a core feature of the rural labour market. On the other hand agriculture based on small family farms, with low productivity and low market surplus is not able to provide adequate income to those who live on it. At the same time, one of the main characteristics of poverty in Serbia is rural poverty and among the rural population the following categories are very vulnerable: farmers who are engaged exclusively in agriculture, or receive income only in this sector, the elderly and pensioners, women, the young, displaced persons. In the revenue structure of small rural households in Serbia, the most represented are the off-farm employment income, income from sale of agricultural products and income from pensions. The employment and income structure of the rural population indicates that Serbia is dominated by the "afflicted" diversification of income resulting from the unfavourable economic environment and poverty (Bogdanov, 2007, 32). In fact, the largest share of rural household income stems from non-agricultural sources, followed by earnings from agriculture. This data indicates a disproportionate ratio between number of people employed in agriculture (45%) and its share in total household income (25%), which once again confirms the low realized productivity of agriculture (Bogdanov, 2007).

Economic development of rural areas involves much more than just agriculture, and the policy objectives and measures for rural development do not refer exclusively to farms and producers (Cvijanovic et al., 2011, 62-79). According to Article 12 of the Law on agriculture and rural development "measures of rural development are the kind of incentives that encourage the improvement of competitiveness in agriculture and forestry (investment in agriculture and forestry and the introduction

of new standards in the production and transport of agricultural products), the promotion of environmental programs, biodiversity conservation and diversification of rural economy and improving the quality of life in rural areas “(Official Gazette of RS, no. 41/09). Namely, rural development assumes different socio-economic activities that are defined by rural policy and are focused on rural areas. They should contribute to improving the quality of life and economic activity in rural areas, primarily through investment in the means of agricultural production, construction and reconstruction of rural infrastructure, training and education of rural population, the affirmation of traditional and cultural values, environmental protection, rural tourism development, etc. Regarding demographic, economic, social, and trends in infrastructure, it can be concluded that rural areas in Serbia are characterized by a high degree of differentiation with defined homogeneous rural regions that reflect the specificities of rural areas in Serbia (Mihailovic et al., 2012, 109-119):

- The region of highly intensive agricultural production and integrated economy is in the northern part of Serbia and covers the territory of AP Vojvodina and the northwestern part of Serbia (Macva). This region is characterized by high quality plain land and significant water resources: large rivers that flow through this region (Danube, Sava and Tisa). On an area of about 21,000 square kilometers there are land amelioration systems which are used for the removal of excess water. Based on demographic characteristics, economic structure and development of the region, certain regional differences are noticeable between the western and eastern part. The western part of the region has a higher population density, increased investment activity and higher economic growth. Specific lowland landscapes, rivers, lakes, national park “Fruska Gora” and Deliblato sands represent a fundamental part of the tourist offer of the region, and more than 200 natural resources are under special protection.
- The region of small urban economies with intensive agriculture is located in the northern parts of Central Serbia, Sumadija, parts of Macva and Stig. This region is surrounded by large urban centres, which affects the demographic, economic and social trends in the region. The region of small urban economies with intensive agriculture takes up 16.31% of the total territory of Serbia, while in terms of natural and geographical conditions the region is somewhat homogeneous. The sloping topography is dominated by mountains at the west and the east end of the region. The region of small urban economies with intensive agriculture is more developed in terms of infrastructure compared to other rural regions of Central Serbia. Being located near large urban centres it has better infrastructure facilities, as well as easier access to public services

and utilities. The road network is at the level of the national average and is evenly distributed throughout the territory of the region.

- Mountainous region, with an economy based on natural resources is the biggest rural region in Serbia and covers 29% of the territory. A significant part of this area includes parts of Serbia with an altitude over 500 m, and can be classified as hilly mountainous area. In the valleys of the Danube, Juzna Morava and Timok there are lowland areas, where the landscape diversity and heterogeneous structure of natural resources contributed to an extremely diversified economy and agricultural structure. The main limiting factors for the development of agriculture in this region are: under-utilized land potential, labour shortage, unorganized market and lack of adequate rural infrastructure.
- The region of high tourist potential with a poor agricultural structure is the smallest rural region in Serbia. It covers 14% of the territory and taking into account natural and geographical conditions of the region it is relatively homogeneous. This region is one of the strongest trump cards for the successful positioning of the tourism product of Serbia, with an exceptional combination of tradition, history and natural beauty. The development priority of the region is the construction of the Ibar highway, with simultaneous protection and rational utilization of natural attractions and areas.

Decades of neglect of agriculture and natural and demographic depletion of rural areas have resulted in very negative economic and social trends and today's unfavourable situation, characterized by numerous problems. The most important among them are small and uncompetitive farms, a large number of elderly households, fragmented agricultural land, small-scale plots, extensibility and low technological level of production, insufficient or inadequate use of agro-technical measures, low productivity, poor disposal of manure and agricultural waste, etc. (Milic, 2015, 29). Such agriculture results in poor farming income, is uncompetitive and unprofitable, and can not be a factor in sustainable development in the current situation.

Export markets and export products of Serbian agriculture

Total trade between Serbian agriculture and the World in the period January-December 2015 amounted to 4354.5 million. USD, of which 2,865.2 million USD relates to export and 1,489.3 mil. USD to import. During this period, agriculture recorded a surplus in trade with the world of 1375.9 million USD, which is 2.8% more than in the previous year. Agricultural export was 6.6% lower than in the

previous year, while import decreased by 13.9%. In this period there was an increase in the share of agriculture export in total merchandise export from 20.7% to 21.4%, and an increase in the positive balance of trade from 1,338.9 to 1,375.9 million USD, consequently increasing the coverage of import by export from 177.4% to 192.4% (Serbian Chamber of Commerce, 2016).

The export of agricultural and food products from Serbia is predominantly focused on the EU market (where about half of the total export of food from Serbia is sold), as well as the markets of Macedonia and Bosnia and Herzegovina. In short, Serbia is facing a well protected agricultural market in the EU (Cvijanovic et al., 2009, 137). Namely, in addition to traditional customs, the EU applies a number of other qualitative and quantitative restrictions on imports (technical barriers, ISO standards), which represent a new, more subtle form of agricultural protection measures. The EU encourages its vendors to export more in non-EU markets, but also grants many countries (including Serbia) the privilege to export most agricultural products to the EU market without customs duties and without obligation to open their markets to products from the EU (sugar, beef). Situation for Serbian agriculture changes by expanding the Union through the accession of 10 new member states in 2004, with the biggest changes in the EU market in the agricultural sector brought by two major agricultural producers - Poland and Hungary. The most important export products of agrarian origin in the period January-December 2015 were (Table 1): corn and other in the amount of 353.0 million USD, frozen raspberry in the amount of 267.6 million USD, cigarettes in the amount of 215.8 million USD, white sugar in the amount of 102.6 million USD and fresh apples in the amount of 102.1 million USD. According to the structure of agricultural export it is dominated by fruits and vegetables with the share of 26.66%, followed by grains with 22.27%, tobacco with 8.78% and beverages with 6,60% (Serbian Chamber of Commerce, 2016). Considering the trends in the EU market, and bearing in mind the current level of production and the competitiveness of domestic producers, it can be concluded that we are, under the assumption of fulfillment of quality control standards, competitive in the world agricultural market only with differentiated offer, in terms of exports of high quality products, with the brand and / or label of indigenous origin. Serbia can seek its chance to export in the EU market only by using the modern concept of competitiveness, which involves the creation of competitive advantages through quality and innovation, and differentiated offer (Mihailović, 2011).

Table 1. *The most important export products of agrarian origin, January-December 2015*

Products	Export in tonnes	Export in mil. USD
CORN, other	2,206,352	353.0
RASPBERRIES, frozen	93,811	267.6
CIGARETTES	20,072	215.8
SUGAR, white	230,098	102.6
APPLES, fresh	178,666	102.1
WHEAT	519,905	98.1
SUNFLOWER OIL-raw	79,877	77.0
NONALCOHOLIC beverages	133,797	60.5
SOYBEANS	129,585	50.8
SOYBEAN OIL	65,217	46.1

Source: *Analysis of agriculture and food industry of Serbia in 2015, the Association for agriculture, food industry, forestry and water management, Serbian Chamber of Commerce (PKS), Belgrade, March 2016, p. 16.*

Serbia partly uses this strategy in placement of beef, but this strategy concept obtains its true dimension only at a higher level of final product processing, thus moving from the export of resources and raw materials towards the export of knowledge, technology and innovation. In short, the basic assumptions of this export strategy and the modern concept of competitiveness are: 1) greater investments in production modernization; 2) harmonization of the entire legislation with the regulations of the WTO and the EU; 3) compliance with numerous standards, sanitary and veterinary control. In 2015, the Republic of Serbia realized a total volume of trade in agricultural and food products with the signatories of CEFTA 2006 in the amount of 1,130.1 million dollars (2.2 million tonnes), which represents a decrease of 9.4% compared to 2014. Exports from Serbia amounted to nearly 942.5 million dollars (1.9 million tonnes), while imports from CEFTA signatories amounted to 187.6 million dollars (231,000 tonnes). Also, the value of export decreased by 9% and import by 11.4% compared to 2014. The surplus in trade with CEFTA region is about 755 million USD, which is a decrease of 8% (69.5 million USD) compared to 2014 (Serbian Chamber of Commerce, 2016). In 2015 the share of CEFTA 2006 signatories in total export of agricultural and food products amounted to 32.9%, EU countries - 47.1%, while the share of the Russian Federation in export amounted to 9.4%.

The Russian Federation is a market with 142 million people (IMF, 2013), and their consumption of food products is a major challenge for Serbian manufacturers and exporters, particularly bearing in mind exemptions from customs duties for export of Serbian products to this market. The potential for food export to the Russian Federation, primarily involves the manufacturers of: (1) fresh beef; (2) meat products (ham, bacon, pates, meat slices); (3) ready-made meals; (4) dairy products; (5) fruits and vegetables and their derivatives (Parausic et al 2013, 324). On the other hand, the most important partners of Serbia in foreign trade with CEFTA region are Bosnia and Herzegovina, Macedonia and Montenegro. Trade with Albania and Moldova is very modest (Table 2).

Table 2. *Foreign trade in agricultural and food products of Serbia with the signatories of CEFTA 2006 in 2015*

Country	Export in USD	Import in USD	Trade	Balance	Share (in %)
Albania	45,183,000	10,000,000	55,183,000	35,183,000	4.9
Bosnia and Herzegovina	469,535,000	72,087,000	541,622,000	397,448,000	47.9
Moldova	565,000	799,000	1,364,000	-234,000	0.1
Montenegro	248,359,000	17,261,000	265,620,000	231,098,000	23.5
Macedonia	178,912,000	87,433,000	266,345,000	91,479,000	23.6
TOTAL	942,554,000	187,580,000	1,130,134,000	754,974,000	100

Source: *Analysis of agriculture and food industry of Serbia in 2015, the Association for agriculture, food industry, forestry and water management, Serbian Chamber of Commerce (PKS), Belgrade, March 2016, p. 18.*

Most agro-economists agree that our country's perspective lies in exports to the markets of Southeast Europe. However, great caution is required in increasing grain production since there is surplus production of wheat and corn in this region. Southeast Europe is extremely deficient in sugar, however, there is a big problem, regarding that sugar has the stock market price, which is in the world market well below our manufacturing cost.

International marketing of agro-products

Marketing Management is the process which regulates the marketing activity of a company. It is a dynamic process since the conditions both in the business environment and in a company are constantly changing (Cvijanovic et al., 2009, 10).

Due to its pretensions to serve a wider and more diverse market, global marketing faces stronger and more complex challenges that require faster and more subtle strategy answers. Namely, rapid changes, complex strategic situations, sharper and more unpredictable competition and changing mental maps of management must be taken into account, particularly with regard to the affirmation of social awareness about the importance of respecting environmental, social, political, cultural, and other components of local markets (Hamovic et al., 2007, 381-389). Marketing management basically means influencing the level, “timing” and a composition of demand in a way that will help the organization in achieving its goals (Kotler and Keller 2006). Namely, the process of management of marketing activities provides an analysis of market opportunities (existing or potential market), formulation of objectives to be achieved in the market, defining the supply and allocation of resources on the adopted course of action, creation of an efficient organizational structure that will implement programs and plans in the market, permanent control of the achieved results of marketing activities and review of the rationality of pursued actions in the market (Milisavljevic, 1999, 21).

Numerous definitions are used to describe the concept of international marketing. Some authors defined this concept by focusing on its content, arguing that international marketing is “a set of activities associated with marketing in foreign markets” (Albaum, Peterson, 1984, 161-173). This definition should include, among other things, exporting, importing and managing of foreign operations, and activities related to marketing, relevant to the products and services that cross national boundaries. However, there is a disagreement over the practice of a single universally accepted definition. In fact, it is often argued that the manner in which international marketing is defined and interpreted depends on the degree of involvement of the company in the international market, and therefore we differentiate between “export marketing, international marketing and global marketing” (Doole, Lowe, 2008).

International marketing program of agri-food products should be oriented towards real and anticipated needs of foreign consumers, economy and society and enable efficient sale of products through touristic offer. The characteristics of these products and their use as well as the characteristics of supply and demand affect the program of marketing activities for these products. Marketing concept has four basic elements (known as 4P): 1) product - should be designed to satisfy the needs of consumers and be competitive; 2) price - refers to the price of products or services; 3) placement - distribution of products and services to

the consumer; 4) promotion - in addition to advertising (advertisement) includes other types of promotion: promotional sales, sweepstakes, personal selling etc.

The combination of these elements is called the marketing mix. The aim is to achieve such a combination of elements (4P) as to gain the competitive advantage (positive characteristic that separates the product / service from competitors) and thus satisfy consumers, and consequently achieve higher sales and higher profits. In such circumstances, it is important to balance the management's efforts in acquiring or attracting new and retaining existing customers. In fact, no matter how satisfying it is to acquire new customers it is also as necessary to devote enough attention to retain them. For efficient management of marketing activity, it is significantly important to adequately plan the use of individual marketing instruments (Todorovic et al., 1998, 447).

Product mix includes relevant activities referring to: planning and development of new products, modification or elimination of the existing ones, determining branding, packaging and quality strategy, customer service, etc. (Todorovic et al., 1998, 289). Product is a very important instrument in agricultural marketing program. Marketing was created to solve the problems of production and producers when the supply was greater than the demand, and the ultimate goal was the realization of manufactured goods and earning profits for the company. Today, the essence of marketing consists in resolving consumers' problems - faster and better than the competition. Accordingly, it is rightly pointed out that "possession of a competitive advantage is like having a gun in a knife fight" (Kotler, 2003, 121). It is important to distinguish between products intended for direct consumption, which underwent no further processing, except for cleaning, sorting and packaging (eg. vegetables) and the other group, consisting of products intended for industrial processing like raw materials (eg. grains, cattle, etc.). Good number of products falls into both categories, because they are used both for direct consumption of households and large consumers, and as raw materials for industrial processing. In short, specificity of agri-food products in the marketing mix is derived from the very specifics of agricultural production, which is the result of its biological nature.

Modern packaging is much more than the wrapping or cardboard boxes used for transportation. Packaging issues in international marketing are related to: overcoming major geographic distances; overcoming numerous cultural differences; dealing with various environmental standards in the world. There is general agreement that there are two dominant and unavoidable functions of modern packaging:

protective and promotional. Packaging may also play a role in the differentiation of products, especially in retail. Product packaging is used to reinforce the distinctive image of brands' characteristics in the minds of the consumers. That is why a continual consumer research and investment in innovations are necessary. Namely, the foundation of our development is in knowledge and innovation, in using information and communication technologies and promoting research and development in all fields. At the same time knowledge is seen as the greatest source of competitive advantage of firms. This is precisely what is most difficult to copy, download, or simply attain. Accordingly, we are witnessing a process of change in which knowledge becomes a key resource in any organization (Vukotic et al., 2014,172-181).

In international marketing, it is particularly important that the company addresses the concerns of its host country stakeholders, who may have very different attitudes from the headquarters (Petrovic-Lazarevic, Vukotic, 2009, 401-414). At the same time, one of the most important strategic issues is certainly "timing", ie. the speed at which the company will invest funds in foreign markets. The dilemma, similarly to that related to the stages and focus of internationalization, boils down to whether to rush in order to pre-empt the competition or go slowly and carefully, and whether to go step by step (concentrating first on one key market, and when experience is gained go to the other) or simultaneously (diversified way) to invest immediately in several foreign markets. For the decision to be made it is predominantly important to bear in mind the intensity of development and sustainability of the market as well as to anticipate the capabilities and intentions of the competition (Mihailovic et al., 2008, 289-305). A very small number of agri-food products with geographical indications is standardized at national level (ham from Zlatibor, hard cheese from Piroto), and at international level, as already stated, there are no such products. In late 1990s, Bulgarians and Slovaks protected the production of plum brandy, and in the meantime Slovenians "took" our distinctive product - ajvar. We are now at a turning point. For example, we have the famous "oblacinska" sour cherry, with by far the highest content of ascorbic acid - vitamin C, which is bought mostly by Austrians and Germans. It grows in the south of Serbia, and no other cherry in the world has that composition.

With respect to the content of bioactive components, it can be labeled as functional food. Unfortunately, this kind of sour cherry is not protected and Serbia achieves much lower price in export than its competitors (Chile and Poland).

True, there are positive examples, but these are exceptions. Brandies “Bojovcanka” and “Yellow Wasp” protected their names, and as such they are recognized even beyond national borders. Our “Arilje” and “Valjevo” raspberry is quite famous in the world, but we failed to protect these raspberry genotypes, and it lost its identity.

Price as an instrument of marketing mix assumes determining price levels and price ranges, calculation techniques, sale conditions, price adjustments and the like. (Kono, 1990, 9-19). Consequently, business success depends on the ability of firms to: (1) recognize promising and sufficiently large market segments, (2) identify the critical success factors, and (3) develop business processes in order to acquire distinctive competence (Todorovic 2003). On the other hand, from the standpoint of price competitiveness of agri-food products, Serbia has diverse characteristics. Due to small holdings, Serbia has higher production costs for basic types of grains, which causes the price incompetitiveness in trade of these products.

On the other hand, because of the relatively cheap labour, favourable climatic conditions and high quality, Serbia is competitive in export of vegetables, beef and lamb meat (meat of specific and high-quality young cattle, which is exported to the markets of Greece and Italy, which enables higher export price than the global average). In general, the possibility to influence the prices of agricultural products is lower than to influence the prices of industrial products. For a good number of agricultural products, there is a perfectly competitive market. Both on the supply and on the demand side there are more participants in the exchange, and the product is homogeneous. Since most agricultural products have stock market prices, it is clear that international competition is more intense in terms of price. In this sense, Serbian producers and exporters (to achieve price competitiveness in these products is impossible for them) - must turn to the export of those agricultural and food products which require higher processing and where there are possibilities of differentiation, either through autochtonous products, higher quality and / or environmental safety. In the export of agricultural products from Serbia, an important element of competitiveness in the future will be the development and promotion of non-price aspects of competitiveness: quality, innovation, design, packaging, reliability and speed of delivery, trade mark, the ability to satisfy the specific demands of consumers and the like. The aim is to reach a marketing strategy which will capitalize on the advantages based on scale, synergy and external flexibility. Namely, great strategies comprise of

the unique configuration of different increased activities, which cannot be easily matched (Kotler, 2003, 19).

Distribution channels involve the selection and definition of the arrangement with the sales channels, physical distribution management, inventory, transportation and the like. (Todorovic et al 1998, 289). Distribution as an activity encompasses all those activities that are essential for agri-food products to be delivered from the manufacturer to European consumers or users of the product. Distribution channels are a tool of marketing mix which is used as a means to attract customers. When making decisions about sales channels, the existing product policies, price and promotions are taken into account, but at the same time any decision on the selection of sales channels influences later decisions about the product, price and promotion.

Consequently, decisions on individual instruments of marketing mix must be taken coordinately. The purpose of sales channels is to ensure that goods reach the customer on time and suitable for use. Successful marketing assumes logistics that fits in a perfect chain from producer to customer. The producers of agri-food products are expected to: 1) identify and define European geographical areas and identify potential customers; 2) assess the level of unmet demand among customers within a defined market area; 3) consider the competition in the market (knowledge of current and potential competitors, their locations and services they provide).

Promotional mix includes a selection of promotional forms, budgets and ways of their realization (Todorovic et al., 1998, 289). Promotion has less important role in agricultural marketing program compared to industrial products. In general, only large producers and associated manufacturers may have brand products. In order to stimulate primary demand for certain agricultural products, it is possible to go for a cooperative economic advertising of associated producers. In this context, it should be noted that in many countries there are joint programs of certain groups of producers, aimed at better placement of their products in the domestic market or for exports. Promotion in the international context has an additional form, which could be characterized as the promotion of national identity, and national export promotion.

Companies in many countries seriously count on state assistance (informational, financial and promotional) when entering the international market, and this

support could be rightly expected from the manufacturers and exporters of agricultural products from Serbia. Improving the image of the country of origin "Made in Serbia" (development of the image of environmentally clean land) is very important because it directly affects the image of certain products, which is reflected in the positive economic effects of the placement of agricultural and food products.

Integration of product offers - through the development of agricultural clusters, strengthening farmers' associations, the promotion of agricultural cooperatives; only by joining farmers have the ability to compensate for what each of them lacks (finance, procurement of cheaper inputs, modern machinery and technology), with a significant increase in their bargaining power - both in relation to the state, and in relation to the food industry, trade, exporters (Parausic et al., 2007, 49-97).

Conclusion

Rural areas of Serbia are characterized by a high degree of differentiation in terms of natural, infrastructural and other conditions for agricultural production, proximity to markets, conditions for marketing of the product - differentiation in terms of economic, social, infrastructure development, demographic characteristics, and the like. The economic structure of rural Serbia is highly dependent on the primary sector and still based on the depletion of natural resources. Traditional, mono-functional agriculture is dominant and the labour market in rural areas is characterized by: unfavourable age and educational structure in relation to the total population, rising unemployment of the economically active population, employment is high in primary sector (high dependence on agriculture), and low in tertiary (the processing of agricultural products, other industries and tertiary sector are insufficiently developed). The participation of the private sector is also modest (it is most represented in trade).

Accordingly, it is necessary to involve small-scale producers into modern market chains because they are insufficiently competitive, they trade in the informal channels, and cost of their standards implementation is high. Also, it is necessary to improve competitiveness at the level of processing capacities, which would thus find new markets and increase consumption. In the area of primary production there is high competition, while at the processing level there is little competition as a result of unattractive areas for investment because of the undeveloped

institutions, failure to comply with the EU exporting standards for a large group of products, as well as lack of knowledge concerning real competitiveness due to high tariff protection.

By producing internationally competitive agri-food products, agriculture in Serbia would ensure sufficient income for family farms, focusing its activities on meeting the needs and preferences of consumers and working closely with the food processing industry. In order to achieve this, certain economic, social and environmental goals must be fulfilled: 1) agriculture must efficiently use natural resources, 2) it must be integrated into the rest of the rural economy and society, 3) it must significantly contribute to environmental protection.

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