

## 18. The role of a brand in recognition of agri-food products from Serbia

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### Abstract<sup>1</sup>

The purpose of this paper is to consider the possibilities of branding agri-food products from Serbia, which contributes to their recognition and competitiveness increase. Development of sustainable competitive advantage refers to a logical understanding of advantages and flaws of a firm in regard to possibilities and threats on the market. Research on behaviour of buyers and appropriate targeting of the real segment provides input values for development of a special marketing mix. The essential connection of the consumers' needs with the firm's possibilities constitutes brand development. This process enables a firm to develop a special distinctive identity and to position itself on the market so as to differ from its competitors. The traditional economic theory is based on the assumptions of perfect competitive markets, on which numerous salesmen offer identical products for sale. It is assumed that all the products are perfectly replaceable; thus, by competition process, the prices become minimal up to the sufficient level to pay suppliers, in order for them to be able to continue operation on the market.

The research shows that the products differ with the level to which they can be differentiated. Most of the agricultural products are homogenous because of their basic market and commercial-technological features. In other words, agriculture, as an economic activity, is as specific as the most of raw agricultural products, and also some food products (raw meat), can be classified in the group of homogenous products, with small or no opportunities for differentiation. The exception is surely production of healthy, organic food, where there are significant opportunities for brand development and products differentiation. Generally, the agricultural products have insignificant opportunities for differentiation, but such products are the best to check the talent for marketing.

**Keywords:** brand, competitiveness, agri-food products, differentiation

**JEL codes:** Q13, Q18, M31

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## 18.1. Introduction

Brand development represents a focal point of production plans, prices, distribution and promotion of products and aims to win a unique position of products on the market. Branding is in the middle of a marketing strategy and its basic role is to protect a company from the impact of competition on the market. By differentiating its products and by giving unique values, a company simplifies the selection process to the consumers, who already have many similar products to choose from. That is to say, to create and to maintain a brand is one of the key tasks of marketing managers, because when selection on the market increases, the buyers doubtlessly prefer well-known companies and brands, and not to waste time to research and expose themselves to risk [Riznić, Dukić, 2010]. Marketing is a discipline which deals with market issues, the market needs and a way to satisfy those needs [Cvijanović, 2007]. Marketing is a dynamic process of realizing a close connection between a company's possibilities and demand which appears in the external environment. Everything that a company offers must continuously develop over time, in order to satisfy changeable needs in the internal goals of a company and in the external business environment. It is not enough for the company to only make a marketing plan which will work for a short time, but it will not succeed to realize long-term profits, owing to insufficient adjustment of the plan to the changes in the market environment.

Business history is full of marketing plans, which were too good to be true. The company can have very high sales level in a short term, but it will not to realize big enough profits in a long term. It can happen that the company has excessively decreased prices of products, not leaving sufficient margins to cover fixed costs. Or, it has excessively invested in design and promotion of products, but had not succeeded to realize sufficient sale, in order for these investments to be worthwhile. It is not difficult to make short-term marketing strategies, which, on the first glance look very successful when assessed from the level of sales. It is harder to make a long-term sustainable marketing strategy, achieving the appropriate levels of continuous profit. The main element in this long-term strategy is development of powerful brands, which will allow the company to charge higher prices for the products which continuously provide high level of a beneficiary-defined value.

According to the American Marketing Association, a brand is a name, a term, a sign, a symbol or a design or their combination, which aims to identify a product or a service of one producer and/or seller or their group, and to differentiate them from products and services of the competitors [Kotler, 2001]. It considers that one of the most important characteristics of marketers-professionals is their ability to create, upkeep, protect and empower a brand.

More precisely, brand creation could be defined as an art and a cornerstone in marketing. A brand identifies a seller or a producer, it gives them more freedom and power in forming prices; it is a special guarantee of quality and a seller's promise that he will consistently serve consumers with a specific combination of characteristics, benefits and services.

Historically, most of agricultural products are sold as generic products, without a brand. Agricultural products have often been described as products which can be easily replaced with the same products from different locations or from other producers. This is basically true. Until recently, most fruit and vegetables had no brand (for example, the same kind of oranges from Sri Lanka and India are substitutes for each other). The exceptions were sales of fruit and vegetables of some multinational companies, such as "United fruits" and the Chiquita and Geest brands [Crawford, 1997].

Finally, some countries-exporters have broken this tradition. For example, a brand of one kind of apple "Pinklady apple" was developed in Australia and presented in 1993. Starting from that, a new brand was launched and registered which realized a premium price on the export markets [Crawford, 1997]. Even if competitors eventually copy this type of product, which often happens in fruit and vegetable industry, they can only present it under another name. Some companies base their growth on acquisition and creation of a rich brand portfolio. For example, the Grand Metropolitan has created different Pillsbury's brands: Green Giant vegetables, Haagen-Dazs ice-cream and Burger King [Kotler, 2001].

As for development of Serbian agricultural products brand, it is important to emphasize that Serbia, nowadays, exports mostly unprocessed agricultural products and it does not have even one branded product in this sector that would be recognizable on the world or the European market. Serbia is at the very beginning of the road, and creating a brand, especially in the healthy food category, can take place only in direction of higher processing phases, with respect to all internationally known and recognized certificates, quality standards, food safety standards, etc.

## **18.2. Methodology**

The research task used a desk data study, which refers to branding agri-food products as well as tendencies in agricultural production of Serbia. The research was done in two segments: (1) general trends in branding agri-food products in Serbia, and (2) the example of branding "cheese form Golija" in Serbia. This research implies using data from the official resources: data of the Serbian Statistical Office, data from the local and foreign literature, internal documentation. The research also used quantitative methods, first of all, the time

series analysis. Combination of the quoted research methods makes way for getting as reliable as possible response to the key questions which arose in the analysis of the role and possibilities of branding agri-food products in Serbia.

### **18.3. Results and discussion**

Agriculture is one of the pillars of economic development of the Republic of Serbia, and its significance for the national economy, besides an economic one, has also a social and an ecological component. A basic characteristic of changes in the agrarian structure of Serbia during the transition is that it was realized by conversion of the state/ socially-owned property into private property (investors bought large-area properties with supporting infrastructure, mechanization and facilities), while land turnover between private owners was not recorded (private property was not a subject of more significant transactions in which participated significant, external capital accumulated outside of the agriculture).

This part of the paper will review the basic parameters which decisively affect or could have affect in the future the courses (whether positive or negative) of agricultural development in the Republic of Serbia. The factors of a positive impact on agricultural development include:

- Favourable natural resources (location, land). The Republic of Serbia has favourable natural conditions for development of heterogeneous agricultural production, since it is located in the most favourable area of northern latitude. Together with climate, land represents the most important natural condition for development and conduct of agriculture. According to data of the SORS (Municipalities and regions in the Republic of Serbia, 2013), agricultural land accounts for 65.6% of the Serbian territory. In accordance to the census of agriculture of 2012, the Republic of Serbia has at its disposal 5 346 597 ha of land (agricultural, forest, other land), of which 3 437 423 ha is used agricultural land (0.48 ha of used agricultural land per capita). Even 73% of the used agricultural land are arable lands and gardens (more precisely 2 513 154 ha).
- Regarding water resources, the Republic of Serbia has at its disposal sufficient amounts of water to satisfy its own needs, but only if it uses them rationally and protects them from accidental or deliberate pollution. Significant wealth is represented by mineral and thermo-mineral waters, whose diversity of physical and chemical characteristics puts our country side-by-side with some of the richest areas on the European continent in this respect. Of all disposable waters, less than 8% or 500 m<sup>3</sup>/c originates from the national territory, while the rest 92% – are transit waters. In such conditions, cooperation with the countries in the Danube basin gets re-

markable significance, as well as development of regional cooperation in the field of water resources management.

- With numerous agreements on free trade (especially the CEFTA, preferential export to the EU market, Free Trade Agreement with the Russian Federation, General Preferential System for the USA), the Republic of Serbia had created favourable conditions for external trade in goods in the field of agri-food sector. Those agreements provide a chance for domestic producers and exporters to overcome the problem of small market and to increase the use of capacities, on the market several times larger than the domestic one, and to realize price competitiveness and increase in products quality. Objectively, Serbia has great chances to be the leader in agri-food sector on the territory of south-east Europe (export within the CEFTA), and the agriculture sector has already made its way toward the European Union market, because almost half of the total export is directed to the EU market and realizes a significant surplus in exchange (preferential export of agricultural products on the EU market). The Free Trade Agreement with the Russian Federation provides a higher export of Serbian products to the Russian market, and at the same time, it is one of the greatest assets of Serbia in attracting foreign investments. The preferential export of agri-food products from Serbia to the Russian Federation market (which enables, at the start, price competitiveness) and higher export of food to this market can contribute to a decrease in trade deficit that Serbia has with Russia and can help Serbian producers, especially producers and processors of meat, milk and fruit, to achieve, through greater export orders, an economy of scale, full capacity utilization and higher foreign exchange earnings. Serbia should benefit from all the advantages of free trade with the Russian Federation and other member countries of the Customs Union (Belarus, Kazakhstan), until it accesses the EU, because after that, the signed free trade agreements will become invalid.
- Construction and level of technical-technological equipment of food industry mostly was not a limiting factor of agricultural production increase, but it was significantly different in different the sectors. A certain number of companies are leaders of the technical-technological equipment market and they have at their disposal highly-educated personnel, while the other companies lag behind the modern technological and marketing requirements. From the beginning of the privatization process, the highest amount was invested in oil, beer, dairy industry, confectionary industry and water processing industry, while, on the other hand, the lowest investments and technological equipment involvement was registered in sugar, meat, fruit and vegetable processing industry.

The factors of negative impact on agricultural development include:

- Most of arable land is acidified, which results from uncontrolled use of chemicals, and in the Vojvodina region land is saline. Accordingly, the agri-technical measures are necessary aiming to improve the soil structure – soil liming, greater use of organic fertilizers, etc.
- Water regime, although favourable, was insufficiently used. River courses are of little use for irrigation. According to the Census of Agriculture of 2012, the irrigated area on the properties of agricultural husbandries (family agricultural husbandries, legal entities and entrepreneurs) amounts to 99 773 ha, or 2.9% of used agricultural area. Consequently, the agricultural production depends on precipitations, which depend on atmospheric processes and relief characteristics – unevenly arranged in time and space.
- Ownership structure of agricultural land makes a small and fragmented property (used agricultural land per agricultural husbandry amounts to 5.44 ha). The Census of Agriculture of 2012 shows that the average size of totally used land per an agricultural husbandry in Srem is 7.82 ha, and even 70.1% of husbandries have land up to 5 ha. The highest participation is of husbandries which use land up to 1 ha (34.26%).
- There is a relatively low use of food industry (the level of capacities utilization, projected for the ex-YU market, ranges from 30% to 50%). The highest level of utilization regards the capacities for production of mineral water, oil factories, mills, capacities for fruit and vegetable processing, production of confectionery products, breweries, dairies and sugar factories. The lowest utilization level regards the capacities for fodder processing and abattoirs, which causes inefficiency in business and poor competitiveness of this sector.
- Basic limiting factors for more significant and more efficient inclusion of food industry in the international market are: (a) insufficient assortment of food products in regard to supply in the developed world (insufficiently wide range of the existing products, poor introduction of completely new products or improvement of the existing products and processes, insufficient level of added values to the products through greater role of knowledge, innovations etc.; (b) varied quality of market products, whether due to lack of standards, or due to disrespect for and weak control of the existing standards; (c) absence of long-term and firm contractual relations or proprietary relations between food industry and producers of raw materials (primary agricultural production).
- Trade liberalization and decrease of tariff protection (within the World Trade Organization and the Stabilization and Accession Agreement).

- Low competitiveness and innovation of agricultural producers in Serbia. It is necessary to involve small producers into a modern market chain, because they are insufficiently competitive, they trade in informal channels, and they incur high costs of standards introduction.
- Current size and structure of agricultural production, its high extensiveness and oscillation, and low productivity, along with inefficient organization of trading channels and inefficient strategy of all types of agri-subjects which do not respect sufficiently the market signals – are the basic factors which limit the achievement of price competitiveness for domestic producers on the agri-food product market. Accordingly, it is necessary to reassess the existing and development of new business and marketing strategies of agricultural producers, based on developmental abilities and strengths of the producers themselves, but also on knowing producers' preferences, new technologies, marketing approaches and other modern market postulates of economy.
- Unattractiveness of the primary agriculture and food industry area for greater investments, due to undeveloped institutions, unfavourable/ business environment, high investment and political risk, high prices of capital and many other factors, i.e. the presence of numerous costs.
- Changes in buyers' requests, their demands or habits provoke also the changes in functioning of trade chains. It is expected that, during the economic crisis, these changes will be more expressed [USAID, 2009]. According to the same source, due to decreased demand on some markets, the producers must adapt their production to the new requirements; traders must find new markets and adjust to new sale conditions with long delay in payment, or find new points of sale or new funding sources.

Natural conditions and production opportunities, within which the production realization is planned, should be maximally used and developed, primarily by measures which will have a direct impact on production and which will bring effects directly affecting its size and quality. Changing the production character, its purposeful orientation at export, makes the necessary conditions for its more favourable social treatment and its acceptance in the sense of more significant factors of economic stabilization and evident and potential source of a significant foreign exchange inflow. Accordingly, it is essential to establish a market mechanism which will provide technological and production-economic connection between all participants in production all the way to the final consumption market.

In the future, an emphasis must be put on food industry development, which was focused on satisfying the needs and desires of consumers, with an emphasis on innovations, quality, high level of food hygiene and food safety stand-

ards. There are evident large possibilities and potentials of domestic food industry in production of healthy-safe food of high quality, in which the foreign market is very much interested, and which will mean introduction of the ISO standards and HACCP quality system in all processing capacities. A developmental policy of food industry must follow the global trends (such as concentration of capacities and capital, introduction of a highly sophisticated technology), and in these processes the role of a state is very important, especially from the perspective of insurance and competition protection, and control of monopoly position misuse, as well as from the perspective of the fiscal and investment support, above all, to small and medium processing capacities in rural areas of the country.

Taking into consideration the previously mentioned factors of positive and negative impact on the courses of agricultural development, as well as a need to brand the agri-food products in Serbia and, thus, make a connection with their geographic origin, the following part will research a possibility of branding the so-called “Cheese from Golija”.

Successful marketing use of the available resources, with the aim of branding, implies a meticulous analysis of internal and external factors which affect cheese production. Also, since it is necessary for the cheese from Golija to be protected by the applicable legislation, it is useful to know the potential buyers with the specific geographic and other peculiarities of the environment in which the cheese from Golija is produced [Cvijanović et al., 2010].

That is to say, Golija is a mountain range in south-west Serbia, west of Raska, whose highest peak is Jankov kamen (1833 m). It is located 40 km south-west from Ivanjica and 32 km north from Novi Pazar [<http://www.novipazar.com/turizam/golija/>]. The national strategy for sustainable development of Serbia set the goals which protect and improve uniqueness of the Golija mountain range, but also other parts of the country with enviable natural wealth, in order to better develop the country's natural resources.

There are three nature protection reserves in the Golija region. An area of 30 ha of mixed forests of fir, spruce and beech located above Ljute livade has been protected since 1950 [<http://www.novipazar.com/turizam/golija/>]. There is also a protected forest reserve of fir, spruce and beech on the area of 8.5 ha in the vicinity of Jankov kamen. Due to an impermeable geological stock and abundant rainfall, the mountain is rich with water. The area is characterised by fresh summers and cold winters with lots of snow which last for a long time. Due to a significant impact of the Mediterranean Sea, the climate in the valleys of Ibar, Studenica and Moravica is much more favourable. What grows well in the Golija region are grains, potatoes, fruit, and in last few years there are also many raspberry gardens in the region, but still, the land is the most favourable for forests and meadows.

This mountain range probably owes its name to its size – *golema* means enormous. Huge areas, harsh climate and dense forests are the reasons why the inhabitants often say: “Golija doesn’t know what a hero is!” (*ne zna Golija šta je delija*). Without an off-road vehicle or a horse, the mountain range is hard to cross, so you rarely see hikers here. The highest point of the mountain range is a flattened, unnoticeable Jankov kamen (1833 m). Tourist values of geomorphologic characteristics of the Golija mountain range are reflected in spacious glades over 1200 m and peaks over 1400 m. The Golija range has a good base for ski pistes and for recreation in the form of leisurely walks and mountaineering in almost untouched nature. Tourism in the Golija region develops fast. In past 10 years modern ski-runs and cable cars were created and accompanying ski-events were organised in the Golija mountain range. During the winter season tourists from the entire Serbia and abroad come to the region. The tourists visit Golija region in the summer, too.

The discussed product belongs to the group of means of consumption, i.e. it is meant for final consumption. The cheese from Golija is an agri-industrial product, with very specific features, which is made by milk processing on the area of Novi Pazar municipality, and it is basically consumed by the local population [Cvijanović et al., 2010]. Beside the standardization of the Golija’s cheese production technological process, it is also necessary to create and protect: a brand, a brand name, a brand sign, brand colours and a trademark.

It is considered that one of the most important characteristics of the marketer-professionals is their ability of creating, sustaining, protecting and strengthening a brand. More precisely, making a brand could be defined as an art and a cornerstone in marketing. A brand identifies a seller or a producer, gives him more freedom and strength in forming price, it is a sort of a guarantee of quality and a seller’s promise that he will continually serve the consumers with the specific set of characteristics, benefits and services [Parausic et al., 2007]. Regarding the cheese from Golija, the brand is very important conceptual aspect of this product, since it is necessary to make the buyer recognize this product by quality and other distinctive characteristics, according to which it is possible to gain a competitive advantage.

It is necessary for the name of a brand to be articulated and written out in words. In case of the cheese from Golija there should not be any hesitation about the brand’s name, it unquestionably should stay “the cheese from Golija”. Because a brand’s name has a significant impact on creating the product’s image, the choice of letters, i.e. a logo, deserves special attention. Namely, the logo, first of all, should be easy to write and it should be recognizable upon printing on the Golija cheese.

Because a brand's sign is impossible to speak out, it should represent a recognizable visual identity of a brand – the cheese from Golija, in the form of symbols, design or characteristic lettering. A brand's colour is a visual part of a brand which increases recognition of the name and the brand's sign. In regard to the cheese from Golija, except white colour, there should be one more colour, which would make it uniquely recognizable against the competition.

A trademark is a legally protected and registered brand, a part of a brand or a legal entity, which provides an exclusive right to use basic elements of their visual identity to a legal entity [Cvijanović, 2006]. When all of that is done, it is necessary to gradually carry out strategic and market positioning of a brand, which usually goes through three phases comprising its three business qualities: identity of a brand, image of a brand and goodwill of a brand. At the same time, it is necessary to protect geographically the cheese from Golija by the applicable legislation, in order to preserve this very important name in our country's cheese-making.

A special attention regarding the cheese from Golija will be paid to introduction of the HACCP system, aiming to produce healthy-safe food. The packaging will contribute significantly to the goal.

The modern packaging is much more than the product's wrap or a carton for its transport. Materials which are used inside the packaging must be new, clear and of quality which prevents external and internal damage of the product. Several common elements of packaging should be mentioned: the buyers require packaging which is not harmful to health and which recycles; this is an item more and more highlighted worldwide, because buyers instantaneously take more care about the environment protection; variability is the next feature of packaging; there are no packaging standards in the world and there are numerous various packaging, which differ for small and large consumers; owing to retail trade there are more and more printed packaging in various colours with a visible logo, which attract buyers and connect with a local brand; modern packaging should be made specifically for a given kind of product in order to decrease losses, but at the same time to adjust to the needs and demands; packaging should be practical with very little free space, but it should also protect the product from mechanical damage during transport.

The packaging directly influences the cheese quality, since it protects and preserves the cheese in distribution and storage, and at the same time it significantly influences the decision-making process on buying a certain product. The packaging, in which the cheese from Golija is packed, must contain the basic information for buyers: name and origin of the producer; name of the product, i.e. the cheese from Golija; origin of the Golija cheese; quantity of cheese (weight

and volume); nutritive characteristics of the Golija cheese (energy value, content of fat, proteins, carbohydrates, etc.); manufacturing date; best-before date, etc. Moreover, the EAN code<sup>2</sup> should be clearly highlighted on the packaging.

In order to survive, the companies in a given environment must persistently change and develop [Mihailović, 2011]. Accordingly, the products differentiation is the act of designing a group of significant differences, so one company's products differ from the competition's products [Kotler, 2011]. The products differentiation can be based on a physical difference (features and design) or on psychological difference, made by the economic propaganda. In fact, when buyers are really motivated, the physical differentiation of products (for example, through adding some special features to the product in response to consumers' tastes, innovativeness in adding new features) is more significant, while the psychological differentiation is more important when buyers are emotionally motivated while buying the products, i.e. when they are driven by fashion, a trend in consumption, when consumption of some products is a status symbol, etc. It should be emphasized that not every difference is a differentiator. The difference is worth establishing, if it satisfies the following criteria: importance, emphasis, superiority, communication, impossibility of easy copying, affordability of the difference for buyers and profitability for the company.

The basic goal of products differentiation is to move a demand curve in favour of one's own products and to ensure more freedom in determination of prices [Todorović, Milisavljević, 2000]. The essence of the strategy is the ability and idea of the company that, through a successful creation and promotion of a distinctive product, the company will provide certain differential advantages for customers (in regard to the competitive products), i.e. a general sympathy and loyalty of consumers regarding their product's brand.

A concept of a brand appeared before modern marketing and generally it is believed that it derived from agricultural practices of the Middle Ages. Agricultural producers, whose livestock grazed in open fields, had to mark it to differentiate it from the livestock belonging to other owners. Therefore, they "branded" their animals with iron brands, leaving a visible mark on their skin, which clearly proved the owner's identity. The role of a brand in determination of products from special sources was used in the Middle Ages and it is also used in today's economy.

The economies in the initial phase of development are characterized by a small volume of production and relatively local markets. With bad transport conditions and small possibilities of business expansion outside the direct field of production, consumers could easily determine the source of assets. For exam-

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<sup>2</sup> International Numbering System, i.e. the products identification number.

ple, in the beginning of the 19<sup>th</sup> century in Great Britain, most of communities had their own bakery, brewery and their carpenter. None of them could expand, due to bad roads and railroads, which disabled export of their products to neighbouring communities. People in the local communities knew from where their products derive and did not get them mixed up with competitive products from remote towns. The costumers could, from their own experience, learn how good, reliable and consistent are some producers, while the producers could adjust simple production methods to the needs of individual customers they knew personally. By the personal acquaintances and trust, the producer could probably judge the financial solvency of all their consumers.

The industrialization in the ninetieth century meant that many products can be efficiently produced in centralized factories, and not in small rural manufactories. The efficient centralized factory could produce quantities, which should be consumed by the whole local community. Improvements in transport infrastructure enabled transport of production surplus to the surrounding markets. Something that one company could make efficiently in one factory, the other company could probably repeat in some other factory. Hence, the companies have started to compete on remote markets. This, however, has led to a problem for consumers, whose purchase become more complete. The buyers were not probably very familiar with the remote firms, which had sold the products on their markets, so they were not familiar with neither the quality nor the value of their products. Branding appeared to simplify the situation on the markets where the buyers were facing competitive sources of supply. On the faceless markets of mass merchandise, the consumers who cannot evaluate the product according to a tested personal relationship with the supplier find it harder to get information from some other sources. A brand occurred as a means to provide information on the consistent quality to spatially dispersed consumers, who, due to the presence of intermediaries, had no direct relation with the producers.

On the market characterized by great and diverse selection, a brand is used to select a product, which has started from trust and which satisfies a user's needs because of its specific characteristics. Branding is a traditional way by which firms tend to persuade remote consumers on the consistent quality on their product, where the competitive advantage is realized by great production volume. However, the technological development in the field of data bases and the production management, now enables producers to remain in a direct contact with the consumers, and in that way to restore a relationship a brand has replaced.

Differentiation measures should be introduced which beside significant investments imply also that overstrained differentiation can lead to a situation when unique product is created which interests only a narrower group of cus-

tomers, and, at the same time, hinders selection to buyers. Besides, the activities of the competition through creative imitations can relativize the products distinctiveness, so it loses differential advantage.

A problem of the company's market behaviour conceptualization comes down to a question of selection of an optimal combination of a strategy of market segmentation and products differentiation. It concerns strategies which are used simultaneously, and which should be directed to gain competitive advantage for the company. Basically, it is about finding sufficiently distinctive supply package by the company, i.e. a combination of marketing instruments, and thereby gain a competitive advantage in a given market segment.

The chances provided by the market segmentation strategies and products differentiation are usually not available to agricultural producers, who produce the so-called stock products, i.e. homogenous primary agricultural products ("price-takers"), to which category belong almost all of the individual agricultural producers in our region. The exception is the farmer's market, where the individual agricultural producers can aim their products at the customers who prefer to buy their, rather than the neighbour's products.

Despite a general characteristic of agricultural products homogeneity and impossibility of differentiation, there are numerous agricultural products (especially food products) for which there are real possibilities of differentiation (for example fruit and vegetables, meat), but first of all in retail trade. In regard to a fact that a significant feature of a differentiated product is the producer's designation (trademarks, declaration of origin and quality of products, etc.), the products can be differentiated from the local point of view, from healthy, organic food point of view, etc. Finally, the strategy of market segmentation can be applicable only to agricultural companies, combines and cooperatives. Individual agricultural producers, except for the market or sale to combines and processors, have no opportunity to choose the sale segments of their production.

The quality of agri-food products is a very important aspect of branding. In developed countries, all aspects of agricultural products quality are precisely defined by the standards and the law, thus adherence to these standards preconditions the entry the developed markets. In order for food exporters to seriously compete on the world market, they have to adopt numerous international and European standards, which will greatly reduce the number of procedures and they will approach to those markets and they will remove the trade-technical barriers. For example, a document entitled "Hazard Analysis and Critical Control Points" (HACCP) is the world-renowned system and a sort of passport to export food, not only to the EU. The ultimate goal of this standard is the production of healthy-safe food in the "from farm to fork" chain. In the future, Serbia

will have to pay a special attention to the improvement in quality and to the quality control system. Presently, come into force the new laws in the field related to quality, i.e. the Law on Standardization as well as the adjustment of regulations to the EU legal standards.

Finally, as regards the fact that the quality is closely related to technology and technological changes, it is clear that, this segment follows the changes and harmonizes with the world. That is to say, in modern economy, the advantage is on the side of a company which successfully makes a connection between the technology and marketing in the strategic mix of the company's business functions. For now, the problems of Serbian exporters and the competitive appearance on the foreign market are of dual nature and manifest themselves in marketing concept inapplicability and technological stagnation.

#### **18.4. Conclusion**

The product is a very important instrument in the programme of marketing activities. Thereby, it is important to make a difference between the products meant for direct consumption, which are not processed, just cleaned, sorted and packed (e.g. fruit, vegetables, eggs), and other group, consisting of products meant for industrial processing, such as raw materials (cereals, sugar beet, livestock, etc.). Numerous products fall into both categories, they are used for direct consumption by households and big consumers as well as for industrial processing as raw materials.

In short, the peculiarities of products in marketing mix of agricultural products derive from the specificities of agricultural production, as a consequence of their biological character. The production programme of agricultural producers is, in great deal, caused by the land's characteristics, crop rotation, climate, vegetation periods in crop and animal production. Nevertheless, considering that the agricultural products are mainly homogenous, there are poor possibilities for the products differentiation, especially those products which represent inputs for food industry. Except for those agricultural products which are sold on fruit and vegetable markets and/or via supermarkets, there are certain possibilities for differentiation, first of all, through two important characteristics of a product: packaging and labelling. In case of the Golija cheese, it was noticed that it was important to link certain agri-food products to their geographic origin, for the purpose of product recognition.

The domestic firms in past several years have succeeded in establishing a high quality of packaging, promotional materials and have introduced quality certificates, necessary for successful competition on the global market. This is

one of the reasons to increase the consumers' interest worldwide in processed fruit and vegetables, fruit brandies, fruit juices, mushrooms, etc. Likewise, more and more firms from Serbia focus on the highly profitable segments of food market, organic and delicatessen, such as truffles and similar. What enjoys special interest on fairs are, *inter alia*, domestic mushrooms of the companies Igda and Marni, as well as aivar and jams of the firm Foodland, homemade frozen fruits of the Sicoberry from Kraljevo, dried fruits of the Agranela from Valjevo, juices of the company Nectar, as well as the products of the company Arex marzipan, Aroma, Libertas, Pionir, Polimark and Fidelinka. As a result of a successful presentation at fairs held so far, Serbia has been profiled as producer of delicatessen and organic food, and therefore our companies no longer negotiate only on trade exchange, but also on joint ventures.

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