Chapter 4

Factor Advantages of the Republic of Serbia in Agricultural Production and a Need for Accomplishment of Sustainable Competitive Advantage in the Market

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ABSTRACT

A significant wealth, which a country can have in factor conditions (abundance of natural resources, available labor with tradition in agricultural production), can enable to the country a good starting position or good initial terms for development of intensive and competitive agricultural production. However, by themselves, these factor conditions will not provide to the country high productivity and employment in agriculture, high life standard of agricultural producers, and high export results. Numerous theoretical papers point out the fact that for highly developed and intensive agriculture, which provides to the country and the agricultural producers high employment and life standard, it is necessary to build and strengthen new sources of competitive advantage, of which the most important are: research and development activities, associations and joining in clusters, and setting up a stimulating micro-economic business environment. The authors in the chapter determine, by statistical and comparative analysis,

a working hypothesis that favorable factor conditions in agriculture by themselves do not lead to accomplishment and keeping up a sustainable competitive advantage of the country, on domestic and foreign market. By analyzing export results of selected European countries in the field of agriculture, the authors determine conditions that are necessary for a country to achieve high and sustainable competitive advantage on the international market. The chapter also presents the conditions needed to set up "new" sustainable sources of agricultural producers` competitive advantage in the Republic of Serbia.

INTRODUCTION

Size of the rural areas in Serbia (without the Kosovo and Metohia) is 65.952 km², which makes 85% of total territory of the country. Primary agricultural production is an important factor in the overall national economy, above all because of its share in GDP and total employment. Rural areas in Serbia form 41% of GDP of the country and economic structure of these areas mostly depends on the primary sector (especially agriculture) and is still based on the depletion of natural resources.

Serbia in major part of its rural areas has all preconditions for organizing an intensive agricultural production and promoting, as well as successful application of multifunctional agriculture concept: huge area of quality agricultural land, water resources wealth, favourable climate and geographic position, tradition in agricultural production, wealth in diversity of rural regions, etc.

However, there are present many restrictions and weaknesses in agricultural production and rural development domain in the Republic of Serbia: unfavourable ownership structure (small property), poor support to agricultural producers from agrarian budget, alleviated possibilities of agricultural producers′ crediting, unfavourable business environment for work of agricultural producers and small and medium enterprises, underdeveloped physical and market infrastructure, insufficient correlation between agricultural producers, high centralization of government administration, etc.

All of these restrictions, especially financial and market stipulate a high investment risk and low productivity in agriculture, while setting up the competitiveness bases on natural resources exploitation and low costs of work and land. At the same time, low productivity in agriculture causes low life standard of agricultural producers, a migration of young from villages and contributes to low physical and value form of agricultural production.

In the chapter was proved the working hypothesis, using the statistical and the comparative analysis that the factor advantages of the country in agricultural production were not of essential significance, more accurate, not sufficient for achieving the competitive advantage of the country in the field of agriculture on domestic and international market. As competitiveness determinant were used two parameters: a) height of agricultural products export per a hectare of agricultural area, and b) export supply structure. The factor advantages were presented through a parameter – an „agricultural area". In special part of the paper, the authors were pointed out to necessary conditions/assumptions for accomplishing sustainable sources of the Republic of Serbia competitive advantage in the field of agricultural production on domestic and foreign market.

BACKGROUND: COMPETITIVENESS ASSESSMENT OF AGRICULTURAL SECTOR IN SERBIA

The agricultural production of the Republic of Serbia represents a significant factor of the entire national economy, from aspect of its share in

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