

The share of food products in foreign trade of Bosnia and Herzegovina



Economics

KEYWORDS : food products, import, export, foreign trade of goods, Bosnia and Herzegovina

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ABSTRACT

In this paper were analyzed parameters of food production, foreign trade of food products of Bosnia and Herzegovina as well capacity of food industry Companies in production and trade within recent three years (2012-2014). The volume of trade of food products in frame of total foreign trade of Bosnia and Herzegovina participate with 13.5% in 2012 year, and less in 2013 (13.1%) and the least 12.0% in 2014 year. The total volume of foreign trade of agricultural and food products in 2013 year decline for 0.4% in comparison to 2012 year, while in 2014 year decline for 1.1% in comparison to 2013 year. In average in Bosnia and Herzegovina annually imports of agricultural and food products are achieved over 2 billion convertible marks, while export of food products was about 400 million marks. This paper presents the status and development of the food industry, and its potential in production and trade of different kind of food products (food, drinks, tobacco etc.). The highest value of capacity that used in production were found for Industry of production non-alcoholic drinks (55.58%) and tobacco (54.59%) and the lowest for wine companies production (11.67%).

INTRODUCTION

Bosnia and Herzegovina with its two entities (Federation BH and Republic of Srpska) has in recent decades developed the integration at the global level, through a number of international activities in the areas of trade, investment, financing development projects. The agro-food complex and its main branch – agriculture, represents basis of Bosnia and Herzegovina agrarian economy, ensuring food security, with potential of initiate development other economics branches and contribute to increasing employment (Radosavac, 2014). In Bosnia and Herzegovina agricultural sector contributed 8% to the GDP (gross domestic product) and employment 21% in first decade of 21 century, while the agriculture sector is more important for the economy of Republic Srpska, when it is estimated to be around 13% of GDP than for Federation of Bosnia and Herzegovina where it stands stable at 6% (Economic Institute, 2010).

The modern global demand for quality food, Bosnia and Herzegovina need to meet with adopted program of agricultural production to ensure food independence of the Country through introduction new production technology, quality and quantity of products which will be in demand in foreign markets (Radosavac and Pejanovic, 2012). In the same time will developed conditions for sustainable development of rural areas, that contribute to long term agricultural employment and improve quality of life of citizens. Bosnia and Herzegovina already has liberal foreign trade and almost harmonized with international trade rules (Law on Customs Policy -1998/10; the Law on Foreign Trade Policy - 1998/04; the Decision on Classification of Goods onto export and import regimes -1998/05; and the Law on Custom Tariffs). The process of globalization has effects on the environment, on economic development and prosperity, on culture and political systems around the World (Kefela, 2011) through reduction all type of barriers among economies, society and increasing mobility of goods, services, labors etc.

The liberalization of agricultural products trade, often is limited through specificity of bilateral and multilateral agreements among Countries as well between partners (Čejvanović et al., 2014).

After signing agreement on trade liberalization is necessary take care in the same time about domestic needs and economy and how to fill out obligations according to the contract.

Each partner and Countries have aim to maintain balance in the trade of agricultural products and food. The low developed Countries as Bosnia and Herzegovina can more difficult achieve balance in trade because more powerful partners and developed Countries, have capability to offer grants which undeveloped Countries usually do not use. In the global market, Bosnia and Herzegovina is not equally competitive as well with any Western Balkan Countries.

OBJECTIVES OF THE STUDY

The aim of this paper is to estimate of foreign trade of agricultural and food products between Bosnia and Herzegovina and leader trading partner partners such as EU and West Balkan Countries for the period 2012-2014, and estimate the degree of integration of the Bosnia and Herzegovina agricultural products in the markets of these countries.

MATERIALS AND METHODS

The foreign trade of food products of Bosnia and Herzegovina was analyzed by using of data from statistical data which used for their work Agency and Department of Statistics of Bosnia and Herzegovina, Foreign Trade Chamber of Commerce of Bosnia and Herzegovina and the Republic of Srpska and Administration of Indirect Taxation of Bosnia and Herzegovina. Obtained data used for analysis of imports and exports on the Standard International Trade Classification, for a period of 2011-2014 years. For data analysis used scientific descriptive methods, methods of analysis and synthesis and comparative analysis method. For study of trade trends included companies of milling industry (25), milk processing (29), meat processing (7), food and vegetable processing (4), cake and waffle (3), beer production (5), mineral water (22), non-alcoholic drinks production (27), wine production (43) and cigarettes production (3).

RESULTS AND DISCUSSION

The data from analysis presented for the period 2012-2014 that

is period after acceptance memberships of Bosnia and Herzegovina to CEFTA (Central European Free Trade Agreement) agreement, for trade of agricultural products and foods. With the entry into force of the agreement, in 2006 year, has been applied level of liberalization which is determined by bilateral agreements, and established a free trade zone, in accordance with the provisions of the CEFTA Agreement and the relevant rules and procedures of the WTO. Within this period in 2008 began world economic crisis, which affected decline of import of agricultural products from CEFTA 2006 members Country in Bosnia and Herzegovina.

For studied period the import of food products in Bosnia and Herzegovina was the highest in 2012 year about 7% of the total import (over the ~2.558,6 mil. KM) and in next 2013 year import decline for 0.2 % (~2.509,9 mil. KM), while in 2014 years was the least value of import (~2.522,9 mil. KM) and its indicate that in 2014 was declined import of food products for 1.5% of the total import of food products in mil. KM (Tab. 1).

Table1. The volume of foreign trade (mil. KM) of Bosnia and Herzegovina and value of balance of import and export of food products in period of (2012-2014)

	2012	2013	2014	Balance 2013/12	Balance 2014/13
Export	552.9	568.8	464.0	-0.3	-0.9
Import	2.558.6	2.509.9	2.522.9	-0.2	-1.5
Volume	3.111.5	3.078.7	2.986.9	-0.4	-1.1
Suficit/ Deficit	-2.005.7	-1.941.1	-2.058.9	1.5	-1.2
Coverage of import /export	21.6	22.7	18.4	1.1	-4.3

Source: Agency for Statistics of Bosnia and Herzegovina; KM-Convertible Mark (national currency of B&H)

The share of trade of food products in 2013 year was 6.8% and in 2014 year 5.3%. The export of food products was the highest in 2012 year 552.9 mil. KM, while declined in 2013 year for 0.3% (568,3 mil. KM), and in 2014 years continue trend of decline for 0.9% (464 mil. KM) and in this year was the least value of export (Tab.1). The coverage of import by export was the highest 22.7% in 2013 year, than 21.6% in 2012 year and the lowest 18.4% in 2014 year (Table 1).

The main share for import had beverages, cereals, tobacco, edible preparations, sugars and dairy products, while for exports are beverages, fruit and vegetables, mashrooms, frozen raspberries, sugar. The volume of foreign trade (import and export) of food products in frame of total foreign trade of Bosnia and Herzegovina participate with 13.5% in 2012 year, and less in 2013 (13.1%) and the least 12.0% in 2014 year. In 2013 year total volume of foreign trade of agricultural and food products decline for 0.4% in mil. KM in comparison to 2012 year, while in 2014 year decline for 1.1% in mil. KM in comparison to 2013 year (Tab. 1).

The trade deficit in Bosnia and Herzegovina has been increasing from 2005 until 2008 and after this year declined trends of negative foreign trade with CEFTA 2006 up to 2011 year (Čejvanović et al., 2014). The negative foreign trade balance were found our study in period 2012-2014 years.

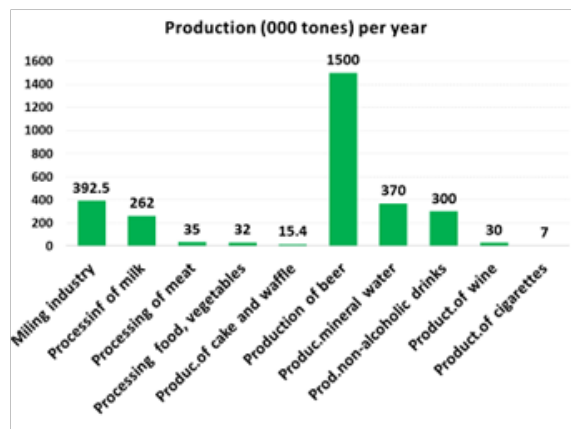
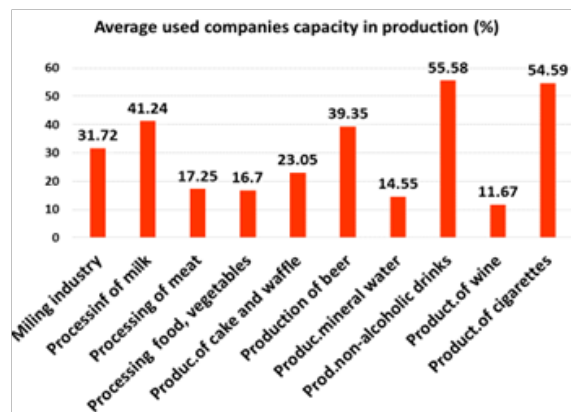


Figure 1. Quantity of food industry production in Bosnia and Herzegovina

In agricultural sector the production of beer had the highest value 1.500,000 tons and cigarettes the lowest 7000 tons. The low volume of production were registered for production cakes and waffle, wine, processing of fruit and vegetables, processing of meat. The higher volume of production were found for dairy product – 262.000t, production of non-alcoholic drinks-300.000t, production of mineral water-370.000t and milling industry-392.500t (Figure 1).



Source: Federal Ministry of agriculture, water and forestry

Figure 2. Degree of used capacity in food processing industry Bosnia and Herzegovina (000 t)

One of the reason why agri-food processing sector do not satisfy at least domestic market is low level used capacity of companies which contribute to low competitiveness on global trade.

For the analyzed companies were found that the least capacity use for companies for production of wine (11.67%), mineral water (14.55%), for processing food and vegetables (16.7%), meat (17.25%). The companies with used capacities between 20-40% were in production of cake and waffle, milling industry and beer production, dairy products. The highest capacity used in companies of production non-alcoholic drinks (55.58%) and production of cigarettes (54.59%) (Figure 2).

On the low level of used capacity of food processing industry influence different factors. The most of companies in agri-food industry after long period without production revitalized with support of finance investment in first decade of 21st century, majority of them change ownership and changes program of production, technology of production is not fully innovative.

For efficient increase of production most important factors are innovation of local companies and that their results are the fastest to expand into other businesses. This can achieve by introducing of new technologies, modernization of equipment in agriculture and food processing and increase labor productivity (Blinova and Bylina, 2011).

CONCLUSION

The different values of import and export of agricultural and food product and negative balance of foreign trade was established in period 2012-2014. The increasing of export and decreasing import of food product in Bosnia and Herzegovina, can achieve on the base of utilization of unused capacities of company production which is in average variate between 45-88%, depends of type processing industry and sustainable development of agriculture based on innovative technologies of production toward requirement of market and consumers. The increasing volume of food production will provide to decrease foreign trade deficit, and contribute to GDP, economic growth, greater competitiveness on the global trade.

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