

EXPERT PAPER

## Foreign trade analysis of agro-food products in Bosnia and Herzegovina

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### Abstract

In this paper, we analyzed agro-food foreign trade in Bosnia and Herzegovina for the last four years with special emphasis on 2008. year, and on the two most important foreign trade partners - Croatia and Serbia. Although there are significant agricultural resources in Bosnia and Herzegovina, it is a great importer food. Agriculture and food industry participated with 16,09 % in total import and 6,11 % in total export in 2008. year. These sectors present the biggest component of foreign trade deficit and their participation is 23,08 %. Foreign trade of agro-food products characterized with regional concentration. Countries in the region are the main export destination and export to the countries of the EU is the minimal. Croatia and Serbia are the main foreign trade partners and Bosnia and Herzegovina has high foreign trade deficit in agro-food products exchange with them.

Key words: Bosnia and Herzegovina, foreign trade, agro-food products

### Introduction

Sectors agriculture and food industry have very important role in the overall economy of Bosnia and Herzegovina. The existence natural resources are necessity, but it not enough assumption for development primary agricultural production. More than 80 % of the territory belongs to rural areas, where live about 61% of total population (MFTER<sup>16</sup>, 2008). Income of agriculture is the main income source for their. There are around 2,5 millions of agricultural land in Bosnia and Herzegovina, where of around 1,5 million is cultivated land and around 1 million is arable land (Vaško and Mirjanić, 2004). Crop production is dominantly and it participated for more than two-thirds in gross agricultural product in 2008. Of the total arable land, used to around 60%, which indicates to big idle land reserves and possibilities for growth in agricultural production. The basic indicators agriculture Bosnia and Herzegovina can be grouped: low total volume agricultural production, low-level exploitation production capacities in agriculture, small family farms, less than half family farms are producing for market, low yields in crop production<sup>17</sup>, etc. Although dynamics some indicators shows trend growth in the agriculture sector, has been steadily exists foreign trade deficit in an international exchange agro-food products. Inclusion of Bosnia and Herzegovina in processes of liberalizations foreign trade, to the global, as well as at the regional level, also intensifying competitive pressure on the sectors agriculture and food industry. In order to survive in such a market are needed substantial accelerating progress in these sectors.

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<sup>16</sup> Ministry of foreign trade and economic relations of Bosnia and Herzegovina.

<sup>17</sup> See <http://www.bhas.ba>

## Material and methods

In this paper, we analyzed agro-food foreign trade in Bosnia and Herzegovina for the last four years with special emphasis on 2008. year, and on the two most important foreign trade partners - Croatia and Serbia. For purposes of this research under agro-food products also understands the chapter in custom tariff<sup>18</sup> from 1 to 24.

## Results and discussion

### Balance of foreign trade exchange

Bosnia and Herzegovina is a net importer of agro-food products and in these sectors has constant foreign trade deficit. Natural balance of agro-food products in 2006 for the Republic of Srpska<sup>19</sup> shows that its own production cover domestic needs for essential agricultural products in the following percentages: wheat 44, maize 60, soybean 90, apples 38, pears 21, beef 24, pork 24, milk 31 (Arsenović et. Al., 2007).

**Table 1. Basic indicators for agro-food products foreign trade (in millions KM<sup>20</sup>)**

Year	Import	Export	Deficit	Share in total trade (%)	Share in deficit (%)	index (%) (3/2)
1	2	3	4	5	6	7
2005	1.897,16	277,02	1.620,14	14,53	21,90	14,60
2006	1.866,20	312,72	1.553,48	13,16	24,96	16,76
2007	2.238,99	374,11	1.864,88	13,17	23,42	16,71
2008	2.620,14	410,10	2.210,04	13,18	23,08	15,65

Source: Agency for Statistics of Bosnia and Herzegovina

Agriculture and food industry participated with 16,09 % in total import and 6,11 % in total export in 2008.

As a consequence of low production and insufficient competitiveness agriculture and food industry, Bosnia and Herzegovina had foreign trade deficit in 2008. year in trade agro-food products of more than 2 billion convertible marks. In the past period, except in 2006., foreign trade deficit was seen in absolute amount has constant growth. In the last four years, average growth rate is 11,48 %. Agro-food products present the biggest component of foreign trade deficit and their participation is 23,08 % (Table 1) Slightly reducing participation of agro-food products in a total international exchange is consequence for its diversification and intensifying trade of other products. Within twenty groups export products, which consisted 85,52 % total value export in 2008. year, there are only milk and dairy products in these groups. However, that products group has negative foreign trade balance and its imports was coverage only 40,8 % (Vico et. al, 2009.). Three group agro-food products (cereals, misc. edible preparations and beverages, spirits and vinegar) are located in the first twenty group products.

### Foreign trade with main partners

One of the basic characteristics foreign trade agriculture and food industry is its regional concentration, especially when it is in the export from Bosnia and Herzegovina. The main foreign trade partners in agro-food products exchanges are: Croatia, Serbia, Montenegro and Macedonia. The reasons, which most contribute to the fact the existence traditional ties, consumer's habits, and all panel openness market as a result signing an agreement on

<sup>18</sup> Custom tariff in Bosnia and Herzegovina according HS classification. (www.uino.gov.ba)

<sup>19</sup> One of two BH entities

<sup>20</sup> 1 KM (convertible mark) = 0,5112997 €

free trade agreement. Weak competitiveness and failing standards on food safety reason the minimum export agro-food products in countries of EU.

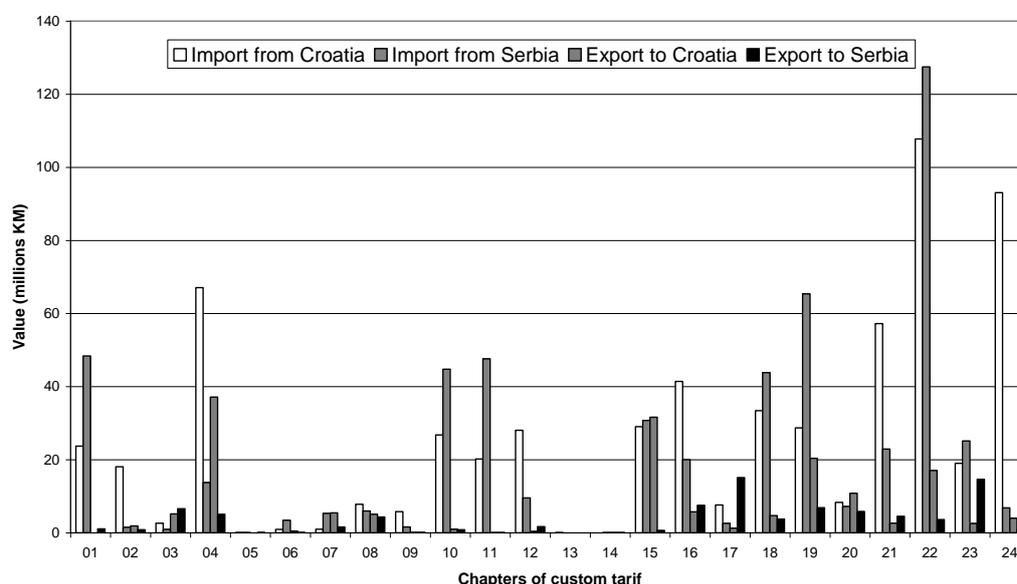
Croatia and Serbia are the countries with which is achieved largest volume exchange agricultural - food products. Achieved exchange with the two countries participates with 46.52 % in the overall volume exchange, while it participates in total deficit with 41.7 %.

**Table 2. Basic indicators for agro-food products foreign trade with main partners (in millions KM)**

Year	Croatia				Serbia			
	Import	Export	Deficit	Index(%) (3/2)	Import	Export	Deficit	Index(%) (7/8)
1	2	3	4	5	6	7	8	9
2006	590,96	91,68	499,28	15,51	398,19	82,08	316,11	20,61
2007	733,71	125,22	608,49	17,07	430,61	65,53	365,08	15,22
2008	627,86	157,58	470,28	25,10	538,15	85,95	452,2	15,97

Source: Agency for Statistics of Bosnia and Herzegovina

Croatia is the most important foreign trade partner, with which Bosnia and Herzegovina achieved 785,44 millions convertible marks of total value exchange and foreign trade deficit was 470,28 millions (Table 2). Volume exchange in the sectors participates with 19,96 % in the overall volume foreign trade exchange between the two countries, while the participation deficit 28,99 % in the overall deficit. Following product groups are the most imported from Croatia: beverages, spirits and vinegar, tobacco and manufacture tobacco substitutes, next milk and dairy products (Figure 1). Milk and dairy products and animal or vegetable fats are groups of products which are in 2008. year had the highest export value to Croatia.



**Figure 1. Foreign trade balance of agro-food products with Croatia and Serbia (in 2008)**

Increase coverage imports one consequence is, above all, increase export milk and dairy products in Croatia in 2008, and the total value exchange with the group products was at 184,74 million convertible marks (Vico et. al, 2009.), or 23,52 % of total exchange agro-food products between Bosnia and Herzegovina and Croatia.

Serbia is the second foreign trade partner with which it is in 2008. year realized value 624,1 million exchange agricultural - food products and the deficit of 452,2 million (Table 2). In contrast to Croatia, imports coverage in an exchange with Serbia is dropping and in 2008. year it was at 15,97 %. The most imported group products from Serbia are: beverages, spirits and vinegar, preparations of cereals, flour, starch or milk, thence live animals, milling industry products and cereals (Figure 1).

### Conclusions

Although possess large agricultural resources, Bosnia and Herzegovina a net importer agro-food products. Foreign trade deficit in these sectors have tendency increase, so that the imports coverage in 2008. year stood at 15,65 %. Beauty export is a regional concentration, so that the most important export destination is countries in the region and exports to EU member states is the minimum. The highest exports value have products of group beverages, spirits and vinegar and most be exported products from the group milk and dairy products. The main foreign trade partners with which Bosnia and Herzegovina achieved the highest exchange value are Croatia and Serbia.

Further liberalisation international trade contributes to strengthening competitive pressure on domestic production and requires a more pressing launch series of activities, which will contribute to raising competitiveness the agriculture and food industry in Bosnia and Herzegovina.

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