**Article**

**Farm Differentiation Strategies and Sustainable Regional Development**

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**Abstract:** The paper examines differentiation business strategies in food production in Braničevo-Podunavlje region (Serbia). The research methodology includes survey research focused on the producers engaged in the production of value-added agricultural products, which have a greater potential for differentiation and branding. A range of survey indicators enable farmers and entrepreneurs of differentiated products to emphasize key success factors, detect barriers, and generate business ideas and innovations. Survey research was conducted in the period December 2018–January 2019, among 67 farmers, legal entities, and unincorporated enterprises—producers of high-quality niche food products in Braničevo–Podunavlje region. Results of the research indicated vegetable and fruit processing, beekeeping, and milk processing as sectors of the most promising value-added food products, including those that form the region’s basket of products. The study’s findings should contribute to the development of differentiated business models in the food sector and strengthening their role in smart regional development.

**Keywords:** agriculture; food products; differentiation

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1. **Introduction**

Regarding the further development of the second pillar of the EU’s Common Agricultural Policy CAP and the structural funds for the period 2014–2020, the EU European Economic and Social Committee (EESC) pointed out that regional food value chains as drivers for cross-sectoral leveraging value-creation potential have a strong impact on regional development. In many regions there have been close links between farming and crafts, tourism, retailing, and the entire economy. The small and medium-sized agricultural businesses conserve important traditions whilst delivering innovation and, standing for high-quality products, environmental and nature protection and preservation of cultural heritage, contribute to shaping regional identities [1]. Closer links between producers and consumers, localised food systems, and bottom-up initiatives could play an essential role in encouraging healthier and more sustainable food consumption [2–7]. Contested global markets also increasingly demand differentiation in production and/or marketing [8].

When it comes to the farm business strategy that corresponds to the above-mentioned development goals, it is built around the farm’s core competencies to implement the value-creating activities that fulfil customer’s wants and needs and the opportunities and threats that the market and external environment provide [9]. Small and medium-sized farmers and entrepreneurs, faced with shrinking margins and
declining competitiveness on commodity markets, are committed to differentiation strategies, based on Porter’s generic differentiation business strategy for achieving competitive advantage by selling products or services that are perceived by the customer to be unique and thus allowing a firm to charge premium prices relative to no differentiated products [10]. Farms in this category produce differentiated, identity-preserved, or so-called value-added food products that focus on certain product attributes desired by a targeted group of customers [11,12]. Such products usually sell for a premium above commodity prices, do not have close substitutes, and are marketed with techniques that involve closer contact with the customer [13–15]. Farmers participate in the vertical integration of stages beyond production in the food supply chain, such as processing, storage, and distribution. By controlling several steps of the supply chain, one may be able to create more profit, or at least maintain better control over the distinctive character of the product [16].

Key developments in value-added agricultural production and marketing (differentiation based on locality, authenticity and protection of geographical origin; food tourism development; and innovative short food supply chains) encourage farmers to opt for practice of product segregation based on quality and identity characteristics. Authenticity, transparency, and direct marketing and sales allow higher product prices [17–19].

Locally sourced food is a good way to increase profits through differentiation. High-quality niche products, like fresh vegetables, fruits, traditional breeds, and organic products, enable farms to exploit local consumer potentials and avoid long value chains and globalized markets [20,21]. Traditional foods have been consumed locally or regionally for many generations. A major challenge for the traditional food sector is to improve its competitiveness by innovations that guarantee food safety, while at the same time meeting consumer expectations and attitudes towards traditional food [22]. The most important goals of traditional food chains are to maintain traditionalism, improve responsiveness, maintain superior quality, and create chain balance [23]. Food product quality based on geographical origin has become an established value-adding strategy in global trade, often framed by international policies and regulations [24]. Geographical indications (GIs) represent a driver for sustainable value chains and territorial development. Following the Food and Agriculture Organization of the United Nations FAO methodology of the virtuous circle of origin-linked quality, GIs can be used to support sustainable development and sustainable food systems [25,26].

Food tourism is a topic of increasing interest in relation to its potential contribution to regional development. Food is regarded as an opportunity to generate added value from tourism through local agricultural systems and supply chains and the local food system. The interrelationships between food and tourism contribute to the economic, environmental, and social wellbeing of destinations, communities, and producers [27–29].

Systems providing food that can be directly consumed could offer many benefits for producers, consumers, and the community [30,31]. The geographical and organized proximity of producers and consumers is crucial for the short food supply chains (SFSCs). Strong geographical proximity emphasizes spatial closeness through a wide range of direct sale arrangements as well as indirect relations with one or very few intermediaries. Strong organized proximity based on confidence and shared values, without spatial closeness creates distance relations that are realized mainly by internet [17,20,21]. Collaborative SFSCs allow individual farmers to access more volume, a broader product range, more expertise, and process and logistics efficiencies that either increase margins and/or open up new markets to them [32,33]. Manikas et al. [34] advocate community-based agro-food hub as an integrated operational model with a set of functions—from the basic one related to information gathering, processing, and sharing through well-designed data platforms, and a range of value-adding operations and services, to the final level of sophistication and a function of a knowledge broker that involve agro-food supply chain partners, tourism sector, and research institutions in a holistic strategic network.

A focus on business models, development of the small and medium enterprises (SMEs), and enhancement of entrepreneurial skills greatly enhance the innovation process in production as well as in processing and marketing, reflecting the issues of food innovation as a driver of smart regional
growth [29,35–37]. The number of studies and projects related to the existing business models in urban and rural territories that question typical business model canvas criteria (product/services, customer, resources, key partners, channels, revenue stream, and cost structure) [38], has proliferated in the last decade with the aim to foster collection and capitalization of existing knowledge to move towards new observed innovative trends [8,16,39,40]. The diversities and particularities of the experiences relating to SFSCs definition, organization, sustainability, and institutional support issues existing all over the world and have attracted a growing interest from academia and policy-makers [3,6,41]. However, as stated in FAO policy guidance for supporting smallholder-buyer business models, rather than gauging the success of the possibility for replication, success stories emerging from these cases should be more widely publicized and disseminated for adaptation, customization, and promotion [33].

The paper will focus on the results of research survey, conducted within Braničevo–Podunavlje (BP) region’s farm and agro-food enterprises engaged in the processing of value-added agricultural products to emphasize key success factors, detect barriers, and generate possible solutions for business process improvement and development of the region’s basket of products.

The region is positioned between key national development belts and transport corridors, Danube (Pan-European Corridor VII) and Moravian (Corridor X), relies on the Belgrade Metro and is rich in natural and cultural heritage but also faces decades of emigration to Western Europe. Development and planning documents emphasize the need to harmonize development priorities, including sustainable tourism, in the Danube region at the European level and develop a marketing strategy to promote the region to national and international investors [42–44].

Research results should contribute to the development of differentiated business models in the food sector and strengthening their role in smart regional development. The paper’s theoretical framework is developed in the next section, followed by a description of the material and methods and case study region, the presentation of survey results, discussion, and conclusions.

2. Theoretical Framework

Tait and Morris [45] pointed out that the optimum sustainability of regional agriculture should be sought in the optimum balance of different farming systems, satisfying a range of ecological, social, and economic functions in the region, given its ecological characteristics and the competing objectives of stakeholders. Good mapping of regional capabilities in the food sector, understanding of the origins of food products and exploration of cultural identity linked to food production, tourism and health is vital for the implementation of agro-food smart specialization [29].

For an urban environment, agricultural production systems that take advantage of the close proximity of resources and consumers, such as those offering fresh, value-added, specialty products would be most appropriate [30,46,47]. Wästfelt and Zhang [48] see structural changes, loss of farmland to urban expansion, specialization of on-farm activities, and a niching trend of on-farm activities as simultaneous processes that produce the diversity in forms of agriculture between farms in wider metropolitan areas.

Food is a key part of global intangible heritage and an increasingly important attraction for tourists [28]. Many SFSCs put in value (traditional) local products, production and marketing methods, and knowledge and consumption habits, strengthening local culture and identities [6]. The food and tourism linkages provide a platform for local economic development, which can be fostered by the use of food experiences for branding and marketing destinations [28].

Protected areas have an opportunity to serve as powerful symbolic and economic drivers toward healthier and more sustainably produced food and this includes efforts to increased local sourcing of food produced using environmentally friendly methods (grass-fed beef, free-range poultry, certified organic foods, etc.) [49]. New tourist expectations have enhanced the quality of agro-ecotourism supply such as diversified farm landscape, environmentally-sound farm-house architecture, and local/typical gastronomy [50].
It should be emphasized that large cities and developed tourist regions as well as protected areas offer particularly favourable conditions for product differentiation strategies and direct marketing and sales of value-added food products due to a large number of potential customers.

3. Materials and Methods

3.1. Research Mode and Sources

Analysis of the potential of farms and enterprises in BP region to develop/upgrade a successful strategy of differentiation, which would allow the creation of region’s basket of products is based on: (1) theoretical framework, (2) a brief overview of the geographical, economic and social situation in the study area, with a focus on agricultural structures and previously recognized prospective regional food products, and (3) the results of BP region’s farms and agro-food enterprises survey research.

The literature-based theoretical framework emphasizes key elements of the farm differentiation business strategies and their role in sustainable regional development. Overview of geographical features and economic and social situation in the study region and nearby metropolitan consumer markets relies on official statistics and regional spatial and development planning documents. Brief overview on farming structure in BP region as a reservoir for differentiated farming businesses scaling up is based on 2018 Farm Structure Survey (FSS) data. Review of recognized prospective regional food products use the data from the Intellectual Property Office of the Republic of Serbia, Slow Food organization and Serbian winery catalogue.

3.2. Study Region—General Overview

3.2.1. Geography, Population, and Economy

Braničevo–Podunavlje region has a good geographical location and transport accessibility, high-quality natural resources, and rich cultural and historical heritage [43] (Figure 1).

Figure 1. Districts of Serbia [51].
The estimated population in 2018 was 354,925 with population density of 69/km² ranging from 15/km² in the municipality of Žagubica (Homolje area) to 213/km² in the City of Smederevo [52]. Outside the City of Požarevac, Braničevo area is sparsely populated (below 50 inhabitants/km²) and marked by strong emigration processes towards Western Europe [53].

The largest part of the Podunavlje area belongs to the Belgrade metropolitan and has a noticeable role in supplying the City of Belgrade with food [54]. In 2018, the City of Belgrade (1.69 mil. inhabitants) engaged 25.4% of Serbia’s employees and generated 41.3% of its gross value added (GVA), while the average monthly net salary was 22.2% higher than those at the national level. More than 1.16 million tourists visited Belgrade in 2018. In the same year, the average monthly net salary in BP region was slightly below the national level, with a significant difference in unemployment rates by area (18.8% in Podunavlje and 13.5% in Braničevo), Podunavlje area participated in GVA of the Republic of Serbia with 1.4% and Braničevo with 2.0% and nearly 76,000 tourists visited the region [52,55,56]. Braničevo area relies on the valuable tourism potential of the Danube River and natural and historical sites in the hinterland (Djerdap National Park and UNESCO Global Geopark, Homolje Mountains, Viminacium, medieval fortressess, monasteries) [44,57–59].

3.2.2. Farm Structure and Resources

According to 2018 FSS data [60], 40,494 agricultural holdings that exist on the territory of BP region, have 234,304 ha of utilized agricultural area (UAA) (family farms predominate and make up 99.8% of the total number of farms and have 96.4% of the total UAA). Braničevo area has 22,985 holdings with 150,190 ha (arable land and gardens 79.4%, meadows and pastures 17.9%, orchards 2.3% and vineyards 0.4%) and Podunavlje 17,509 holdings with 84,114 ha (arable land and gardens 85.6%, meadows and pastures 4.4%, orchards 9.3% and vineyards 0.7%). Smaller holdings less than or equal to 5 ha are prevalent in the region (65.9% with 23.6% of the UAA). The greatest part of the UAA (46.1%) is run by 30.2% holdings ranging from 5 ha to 20 ha. Stocking density was 0.5 compared to the national level of 0.6 LSU/ha of UAA. Beekeeping is a rising activity as well as the collection of forest fruits and medicinal and aromatic herbs. On-farm value-adding activities are present on 4338 or 10.7% of holdings compared to the national average of 12.3%. Most of these farms are small to medium in size and are engaged in processing of agricultural products, mainly milk. The average standard output (SO) per farm was EUR 7557 (EUR 7176 per family farm and EUR 212,500 per legal entities and unincorporated enterprises), compared to the national average of EUR 9455 (EUR 8179 per family farm and EUR 445,993 per legal entities and unincorporated enterprises).

3.2.3. Recognized Prospective Regional Food Products

The Intellectual Property Office of the Republic of Serbia registered: Appellation of Origin—AO for: Sausage from Pozarevac, Sheep cheese from Homolje, Goat cheese from Homolje, Cow cheese from Homolje and Honey from Homolje (WIPO AO); and Geographical indication—GI for Djerdap honey [61,62].

Products selected for the Slow Food’s Ark of Taste are Bagrina Grape, Barenji sir, Black Tamjanika Wine, Osmak White Corn, Pestilj and Wild pears Slatko [63].

The autochthonous wine grape varieties are represented by Smederevka, Black Tamjanika, Prokupac, and Morava [64].

3.3. Survey Scope and Representativeness

Survey research was conducted in the period December 2018 to January 2019, within the project Tastes of Region of the Regional Development Agency Braničevo–Podunavlje, which was realized in 2018–2019, as part of the wider UNDP and Ministry of Agriculture project related to agri-food industry and trade support in Serbia [65].

The survey was done with 67 producers (sectorally: vegetable and fruit processing 28, milk processing 12, beekeeping 11, viticulture and winemaking 4, alcoholic beverages other than wine 9,
confectionery 2, bird eggs production 1 by three techniques: (1) telephone survey, (2) direct interview and (3) online. The focus was precisely on the producers engaged in the processing of value-added agricultural products, which have a greater potential for differentiation and branding. Consequently, a nonrandom sample selected on the basis of value judgment was used. The selection criterion was the amount of income of agricultural producers and degree of processing of agricultural products.

The generic value added products listed in the survey are the following: ajvar (pepper spread); rakija (fruit brandy obtained by fruit fermentation and destillation); honey, as well as honey based creams; wine; liquers; cheese; yogurt; slatko (fruit pieces preserved in sugar sirup); fruit juice; jam and marmalade; and vegetable preserves.

The questionnaire contains the following sets of indicators:

- legal status and product portfolio,
- technology and equipment, employees, inputs, and sale revenues,
- product place of origin, taste specificities, and the risk of disappearance,
- quality standards and food safety and quality control,
- product quality improvement and a higher level of engagement in food processing,
- marketing activities and the use of ICTs in marketing and promotion,
- markets and marketing channel structure, and
- associations and partnerships in product distribution and promotion.

Selection of indicators was made taking into account analysis tools for the farm business strategy development [9] based on Porter’s five forces model, core competency identification criteria and value plate for a product differentiation strategy [9,10,66], and business model canvas criteria (customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships, and cost structure) [38] used in studies related to business models in agriculture [8,16,39].

The business model canvas criteria relevant for regional branding, such as product/value proposition, resources, suppliers/partnerships and revenues, as well as criteria for regional marketing system in the food sector (RegioMarket) [67,68] were consulted in the selection of indicators to form a basket of products of the BP region (territory and product specificity; available resources; procurement of raw materials within the region; quality control; and production quantities and sales).

A larger sample would provide somewhat more representative data; however, this limitation in the research was reduced through the selection of producers who have a significant impact in the agro-food sector of the region based on the level of income and the degree of processing of agricultural products. In addition, as innovative short supply chains involve a wide range of stakeholders, this implies that further research would include an extended survey for the identification of the supply chains, with other stakeholders, in addition to food producers.

4. Survey Research Results

4.1. Legal Status and Product Portfolio

Surveyed business entities were founded over the period 1958–2018. However, more than a third of them have started production of surveyed products in the last 10 years. The largest share of the producers is registered as family holdings (65.7%), followed by limited liability companies-LLC (20.9%) and unincorporated enterprises (9.0%).

Family holdings are concentrated and prevail among surveyed producers in fruit and vegetable and beekeeping sectors, LLC in the milk processing sector, while unincorporated enterprises are most present in the sector of alcoholic beverages other than wine, where they represent over 40% of the surveyed manufacturers.

Fruits and vegetables and specialty dairy products prevail in the surveyed product portfolio, followed by honey and honey products and alcoholic beverages.
4.2. Technology and Equipment, Employees, Inputs, and Sale Revenues

The producers who use traditional techniques and machines dominate (68.7%), a smaller number use a partly modern process with modern machines (16.4%), and even fewer use technologies and machines of 10 and more years old (7.5%) and a completely modern process with modern machines (7.5%). Modern equipment is mainly found in wineries, while new investments are most needed to processors of milk and fruits and vegetables (Figure 2).

![Figure 2. Technology and equipment.](image-url)

Family members are the most engaged in production (45.2%). A quarter of the producers surveyed hire seasonal workers and 10.3% have permanent employees, including professionals. For some aspects of production for which producers lack sufficient product knowledge and experience, 18.2% of them occasionally engage experts (technologists, agronomists, and others). Sectorally observed, experts are mostly engaged in the vegetable and fruit processing sector. Family farms prevail in this sector and they have the greatest needs for professional and advisory support.

Most producers purchased raw materials in their place (71.6%), 13.5% in the region or up to 200 km away, another 13.5% within the Republic of Serbia, while only 1.4% imported raw materials for production (Figure 3).

![Figure 3. Raw material place of origin.](image-url)

The average annual income of the total surveyed producers in the BP region in 2018 amounted to EUR 151,026 (if only family farms are observed, their average income amounted to EUR 11,803), see Supplemental Material, Table S1.
4.3. Product Place of Origin, Taste Specificities, and the Risk of Disappearance

Over half of the producers surveyed (55.2%) bind the product origin only for their place, for the BP region 13.4%, for the territory of the Republic of Serbia 16.4%, and for the Balkans 14.9%. Among the producers of wine, specialty cheeses, spirits, and honey, most are those who tie the product to the place of production and they have the most prospects and interests to protect their origin (Figure 4).

A significant share of producers (55.2%) consider the taste of their products as product-specific and different from the same type of product from other locations. The most common reasons they cited are: raw materials from the place of product origin (27.0%), use of traditional recipe (20.9%), and special plant or animal varieties used as raw materials (19.6%). Something of less importance for the specific and different taste of agricultural food products is land (15.3%) and climatic conditions (14.7%). Only 2.4% of the surveyed producers estimated their product as not specific.

The risk of disappearing is estimated as follows: (1) Yes, I am only dealing with the production of this product (16.4%), (2) Yes, fewer producers are engaged in the production of such a product (29.9%) and (3) No, there is enough producers of this product (53.7%).

4.4. Quality Standards and Food Safety and Quality Control

The quality of agro-food products is a very important aspect of branding. Producers deal with quality control and food safety in various scope. The most common are: microbiological analysis in the official laboratory (35.2%), chemical analysis in the official laboratory (31.2%), and nutritive analysis in the official laboratory (16%). Producers of specialty dairy products carry out the most comprehensive quality control, which is not surprising, given that they deal with unpasteurized milk dairy products.

The HACCP certificate has only 8.8% of the surveyed producers–mostly LLCs and unincorporated enterprises in milk processing, beekeeping, and spirits production.

A small number of producers have a status of authorized user of geographical indications (three beekeepers and one specialty cheese producer). A few more products awaiting registration and/or authorized users (Mlava honey, Boiled cow cheese from Golubac, AO Goat cheese from Homolje, and AO Sheep cheese from Homolje). Specialty cheese producers and beekeepers are most interested in GI registering and authorized use.

4.5. Product Quality Improvement and a Higher Level of Engagement in Food Processing

Producers achieve the quality improvement of their products by: quality control (32.8%), new recipes (15.6%), packaging (16.4%), the specificity of raw materials (21.3%), label design (11.5%), and others (2.5%). Quality control is particularly important for milk processors, packaging for producers of alcoholic beverages, and label design for winemakers. The importance of new recipes has been noticed by vegetable and fruit processors but not to a sufficient extent by beekeepers and producers of spirits (Figure 5).
Producers emphasize additional funding (23.4%), technology improvement (20.5%), and sales strategy advancement (18.7%) as the main factors to move to a higher level of product processing. Additional funding is particularly important for vegetable and fruit processors, as well as product improvement, and logistics and distribution; technology and production processes improvement for milk processors; and sale strategy building and marketing and promotion for producers of alcoholic beverages and beekeepers (Figure 6).

Support to investments in physical assets concerning milk and fruit and vegetable processing and marketing is provided to SMEs and entrepreneurs through Instrument for Pre-Accession Rural Development (IPARD) II Programme, while National Rural Development Programme provides support to family holding for on-farm processing and to legal entities and entrepreneurs in wine and spirits production [69,70].

4.6. Marketing Activities and the Use of ICTs in Marketing and Promotion

Only 1.7% of the producers surveyed do not deal with marketing, which indicates an affirmative awareness of the importance of marketing activities. The survey showed that the most common marketing activities are: mouth-to-mouth promotion (28.0%) and participation in fairs (25.7%). Nearly 14% of respondents are involved in the creation and protection of a brand. Producers are mostly engaged in branding in milk processing, spirits production, and beekeeping. Evident branding potential of vegetable and fruit products has not been sufficiently used (Figure 7).
The share of producers who have an open website, Facebook page, or Instagram site for the agricultural household or product in total surveyed producers is significant. When asked: Are you using modern IT technologies for marketing and promotion of your product, the following answers have been received: (1) I have a website for an agricultural holding or a product: 27.8%, (2) I have a Facebook page for an agricultural holding or a product: 41.1%, (3) I have an Instagram site for an agricultural holding or product: 13.3%, and (4) I do not use modern IT technologies for marketing and promotion: 17.8%. Those who do not use ICTs for marketing and promotion point out the importance of additional training and education in this field.

4.7. Markets and Marketing Channel Structure

Most producers surveyed sell products on the domestic market (73.1%) and the rest are present on both the domestic and foreign markets (26.9%). Direct sale to consumers dominates (consumers come to the producer 37.2%; products are sent to the address 19.8%). Fewer producers sell products to restaurants (9.9%) and even fewer reach supermarket shelves (5.8%), but 18.0% of them sell products to tourists, which contribute to the development of the BP region. It can also be an effective strategy for regional branding. The potential of e-commerce has not been sufficiently exploited. Direct sales to consumers are most popular among vegetable and fruit processors and producers of alcoholic beverage, specialized stores and internet sales among beekeepers and winemakers, and sales to restaurants and tourists among producers of specialty dairy products (Figure 8).
4.8. Associations and Partnerships in Product Distribution and Promotion

Over half of the producers surveyed are included in one of the following forms of association: association of farmers (14.9%), citizens’ association (28.4%), cooperatives (7.5%), and cluster (2.9%). Membership in citizens’ associations is preferred by vegetable and fruit processors and beekeepers, while producer association is the most common form of networking of spirits producers. Cooperatives in milk processing and beekeeping sectors generate good results in GI protection (Honey from Homolje, Cow cheese from Homolje). Cross-border cooperation is realized mostly in the areas of trade and technology. Surveyed producers also take part in study trips and maintain long-term relationships with foreign customers, particularly with Serbian diaspora.

4.9. Selection of Products with the Highest Potential for Representation of BP Region

The basket of products from the BP region was made having in mind previously recognized prospective regional food products (see Section 3.2.3) and others selected in the research, using a set of indicators (territory and product specificity, available resources, procurement of raw materials within the region, quality control, and production quantities and sales) (Table 1).

<table>
<thead>
<tr>
<th>Product</th>
<th>Producer Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wine Prokupac</td>
<td>Virtus Winery (Braničevo), Despotika Winery (Podunavlje); Autochthonous grape variety.</td>
</tr>
<tr>
<td>Wine Morava</td>
<td>Despotika Winery (Podunavlje); Autochthonous grape variety.</td>
</tr>
<tr>
<td>Homolje beer</td>
<td>Aleksandar and Friedrich Brewery (Braničevo).</td>
</tr>
<tr>
<td>Homoljska zdravica (Plum brandy with added medicinal herbs)</td>
<td>Distillery Lazić (Braničevo); Indigenous meadow biodiversity from Homolje.</td>
</tr>
<tr>
<td>Moravski ajiyar</td>
<td>6 small-scale farm producers (Podunavlje); supported by two R&amp;D institutes for vegetable crops in the immediate vicinity.</td>
</tr>
<tr>
<td>Honey from Homolje</td>
<td>Beekeeping cooperative Homolje med (Braničevo); authorized user of AO (WIPO).</td>
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<tr>
<td>Djerđap honey</td>
<td>Beekeeping society Golubac (Braničevo); authorized GI user.</td>
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<tr>
<td>Mlava honey</td>
<td>Beekeepers, Petrovac na Mlavi (Braničevo); GI user (In the discussion process).</td>
</tr>
<tr>
<td>Veverko—honey cream with hazelnut</td>
<td>Honey house Perić, (Braničevo).</td>
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<tr>
<td>Medovača—honey brandy</td>
<td>Novićević distillery (Podunavlje).</td>
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<tr>
<td>Syrup of wild blackberry from Homolje</td>
<td>Nikolić family farm (Braničevo).</td>
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<td>Syrup of wild cherry from Homolje</td>
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<td>Syrup of Cornelian cherry from Homolje</td>
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<tr>
<td>Slatko of white cherry</td>
<td>Radić family farm (Podunavlje).</td>
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<tr>
<td>Slatko of roasted quince with walnut from Homolje</td>
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<tr>
<td>Slatko of cornelian cherry with wild hazelnut from Homolje</td>
<td>Grozdić family farm (Braničevo).</td>
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<td>Slatko of mulberry from Homolje</td>
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<td>Slatko of forest strawberries from Homolje</td>
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<tr>
<td>Jam of autochthonous plum variety Čitlava</td>
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<tr>
<td>Pasteurized wild garlic from Homolje</td>
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<tr>
<td>Osmotic dried fruit from Homolje</td>
<td>Fruit and Wine Growers’ Association Golden Hill (Podunavlje)</td>
</tr>
<tr>
<td>Cow cheese from Homolje</td>
<td>Agricultural cooperative Suvi Do (Braničevo); AO user. Milk Cooperative Homoljka dairy (Braničevo); authorized AO user.</td>
</tr>
<tr>
<td>Goat cheese from Homolje</td>
<td>Agricultural cooperative Suvi Do (Braničevo); AO user. No authorized users.</td>
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<tr>
<td>Sheep cheese from Homolje</td>
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<tr>
<td>Gramina semi-hard goat cheese</td>
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<td>Gramina hard goat cheese</td>
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<tr>
<td>Gramina extra hard goat cheese</td>
<td>Bela Reka Farmland (Braničevo); authorized user of AO Goat cheese from Homolje and AO Sheep cheese from Homolje (In the discussion process).</td>
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<tr>
<td>Gramina hard sheep cheese</td>
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<td>Gramina extra hard sheep cheese</td>
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<tr>
<td>Bareni sir from Golubac (boiled cow cheese)</td>
<td>Ekomilki dairy (Braničevo); GI user (In the discussion process).</td>
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</table>
5. Discussion

The study’s findings should encourage farmers and entrepreneurs to engage in differentiation in production and/or marketing. Unable to provide a good bargaining position on commodity markets, small and medium-sized farmers and entrepreneurs are often faced with shrinking margins and declining competitiveness. Value-added products allow higher product prices and higher farm income. The average income of the farmers surveyed from the sale of value-added food products in 2018 amounted to EUR 11,803, which is satisfactory, bearing in mind the average SO per family farm in BP region in 2018 of EUR 7176 [60].

As seen in the previous chapter, a range of survey indicators enabled farmers and entrepreneurs of differentiated food products to emphasize key success factors, detect barriers, and generate business ideas and innovations. Results of the research, briefly discussed below, indicated vegetable and fruit processing, beekeeping, and milk processing as sectors of the most promising value-added food products, including those that form the region’s basket of products.

With a wide range of traditional food products based mostly on abundant local raw materials—high quality vegetables and locally specific fruit varieties, small-scale family farmers—processors of fruits and vegetables has great, although still untapped potential for regional branding, and direct sales to consumers and tourists in the region and the Belgrade Metro. Surveyed producers see new recipes and improved quality control, along with investments in modern equipment and logistics and distribution as opportunities to improve competitiveness in the sector. Producer organizations, which are expected to be established soon, should foster stakeholder networking and cooperative regional marketing and branding.

Beekeepers owe their business success primarily to the wealth of indigenous meadow biodiversity from areas of Homolje, Djerdap, and Mlava, which guarantees the high quality of honey and enables its GI protection. Honey producers emphasize quality control, technology and production process improvement, sales strategy advancement, and marketing and promotion as the main factors to move to a higher level of product processing. The potential of e-commerce—specialized store and supermarket sales—has not been sufficiently exploited. Product differentiation is based on innovation for new products of already high-quality honey in the region. Wider use of honey and bee products in the confectionery, beverage, pharmaceutical, and cosmetics is a significant incentive to growth of honey production. Beekeeping organizations generate good results in GI protection and promotion. They are of special importance for small-scale honey producers, which are often faced with high costs of quality control, packaging, and labelling, limiting sales to relatives, neighbours and friends [71].

Milk processing is particularly focussed on cheeses made from unpasteurized milk obtained from local animals grazing on high-value natural grasslands. The topic here is on hygiene standards and GI protection. A number of studies confirmed that new consumer trends such as raw and minimally processed, convenience, and organic dairy products as well as e-commerce of these products bring new hygiene and safety concerns and challenges to producers and authorities [72–74]. It is also well known that geographical indications preserve traditional high-quality dairy products and dairy herd traditions, promote extensive production, and reinforce the regional identity [26,75]. Surveyed producers of specialty dairy products, mostly LLC, already carry out the most comprehensive quality control and work intensively on the GI protection. They link the improvement of competitiveness to investments in the construction or upgrading/equipping of small dairies and adoption of new knowledge and technologies in parallel with livestock producers’ education on issues of animal selection and feeding.

Numerous case studies discussed in recent years within research projects and networks dedicated to small scale food producers involved in SFCs, point to the importance of continuous improvement efforts in the areas of product and technology development and innovation, infrastructure and logistics, access to markets and consumers, skills and knowledge collection and transfer, long-term collaboration building and stakeholders engagement, and regulatory frameworks and government support policies in order to raise SFSC’s efficiency for the economic growth of the sector and benefits for the regional economy and society [3,6,20,41,76,77].
Technological modernization, building partnerships and strengthening vertical coordination, budgetary support for the development of short food supply chains, and stronger links with the R&D sector are among FAO suggestions for better integration of Serbian smallholders and family farms into agricultural value chains [78]. The Serbian government has recently adopted legislation related to short supply chains of plant and animal food products [79,80]. Farmers and food processors are supported with a wide range of measures within the agricultural and rural development programmes [70,81] as well as IPARD programme [69]. Along with the involvement of experts in the transfer of knowledge and innovation, a great diversity among food producers in all three sectors mentioned above allows peer to peer learning, which would also foster producer collaboration and regional branding. The adoption of Law on organisation of agricultural products market (2021) and secondary legislation (2022), will provide legal basis for establishment of producer organizations and groups and development of their operational programs [81,82].

Future studies should include issues related to more ambitious development of agri-food e-commerce and collaborative SSFCs.

Agri-food e-commerce (AE) has become a new and effective way of helping smallholders to gain access to the market avoiding intermediaries and information asymmetry. Factors affecting AE adoption at a firm level and AE development at a regional level are of rising interest to researchers. More emphasis should be put on the regional development modes of AE [83]. More recently, e-commerce is recommended as one of best practices for smallholders in combating COVID-19 related market access restrictions [84]. By adopting the Strategy for the Development of New Generation Networks until 2023, the state recognized the importance of investing in broadband access to increase jobs and develop SMEs in tourism, agriculture, and other sectors of the economy [85]. Digital literacy and digital competences of women from rural areas are very important, both for the empowerment of women and to encourage the development of the digital economy and e-commerce [86,87]. Rural digital hubs and online markets can be found soon on the agendas of regional stakeholders, including the Regional Development Agency Braničevo–Podunavlje, which recently started with digital marketing platforms for promotion of local agri-food producers) [88].

Selling to regional supermarkets and foodservice companies as well as to final consumers most often requires collective action of producers able to supply the necessary volumes and diversity of high-quality, differentiated food [21,89,90]. Small- and midscale agricultural producers are also faced with other challenges, such as lack of access to capital to support marketing and processing needs, food safety compliance, and product liability concerns [91]. Agricultural cooperatives still play a major role in product aggregation and food marketing, but new models of producer coordination are emerging and offer more flexibility to suppliers and buyers [92,93]. Distribution entities using informal producer networks can adapt to the demands of diversified, niche food markets. They are not obligated to take all of their members’ production and farmers benefit from a more diverse market channel mix, including the use of long supply chains [93,94]. There is an evident need but also opportunities to develop collaborative SSFCs in BP region in partnership with the state and civil and public sector, and therefore increase regional food production and employment.

6. Conclusions

Regional food system implies agro-food industry focused on meeting the needs and desires of consumers, with an emphasis on innovation, quality, and high levels of food hygiene and food safety standards. Its development is based on natural resources, the existence of processing capacities, and the development of cooperation with farmers and farmers’ associations. It is expected to equally meet not only economic but also social and environmental sustainability goals: (1) use natural resources effectively, (2) be integrated into regional economy and society, and (3) make a significant contribution to environmental protection.

Braničevo–Podunavlje (BP) region has a good geographical location and transport accessibility, high-quality natural resources, and rich cultural and historical heritage. The largest part of the
Podunavlje area belongs to the Belgrade metropolitan while Braničevo area relies on the valuable tourism potential of the Danube River, Djerdap National Park, and Homolje Mountains in the river’s hinterland. Large cities and developed tourist regions as well as protected areas within their territories offer favourable conditions for product differentiation strategies and direct marketing and sales of value-added food products due to a large number of potential customers. In this regard, it is of key importance to support development of SMEs and entrepreneurs that produce and market differentiated local products, including ones with protected geographical indication as well as products based on traditional recipes.

The results of research survey, conducted within BP region’s farm and agro-food enterprises engaged in the processing of value-added agricultural products on key business success factors and innovation potentials, presented and elaborated in the paper, indicated vegetable and fruit processing, beekeeping, and milk processing as sectors of the most promising value-added food products, including those selected for the region’s basket of products. Producers surveyed in these three sectors are mostly oriented towards use of local, high-quality resources that provide product taste specificities and point to GI protection and regional branding, employ household members and the local population, and have the best results/potentials in using traditional recipes and technology in product differentiation, and in developing close relationships with consumers and tourists. However, the producers also pointed to a number of barriers, so, in order to prove successful, such a choice of sectors/basket of products implies serious product, technological and marketing improvements, and financial and advisory support. Along with that it is necessary to define a common marketing strategy based on territorial branding principles, strengthening collaborative short food supply chains and adopting innovative approaches in their management.

Supplementary Materials: The following are available online at http://www.mdpi.com/2071-1050/12/17/7223/s1, Table S1: Volume of production and annual income of surveyed producers (realized and expected amounts).

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