

SHORT FOOD SUPPLY CHAINS IN SERBIA: CASE STUDY OF KLADOVO MUNICIPALITY

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Abstract

The short food supply chain represents a concept related to the notion of local production markets and marketing, emphasizing trade without intermediaries as well as close relationships based on trust between agricultural producers and consumers. This concept assists in strengthening the social, economic and ecological performance of rural areas and agriculture, and it is promoted and supported by rural development measures in the countries of the European Union. In Serbia, placing food on the market through short food supply chains is developed in practice, but this concept is not institutionally arranged. The paper presents the state of this sphere in the national regulations, and it shows the operation of short food supply chains using the example of agricultural producers in the municipality of Kladovo.

Key words: *food supply chains, short chains, Serbia, agriculture, Kladovo.*

Introduction

Short Food Supply Chains are established as an alternative to conventional, long and globalized food chains, and are increasingly gaining importance in the development of new food supply networks, as well as in the rural development policy of numerous countries.

According to the EC, “*short supply chain means a supply chain involving a limited number of economic operators, committed to co-operation, local economic development, and close geographical and social relations between producers, processors and consumer*” (EC, 2013, p. 499). Short Food Supply Chains (abbr. SFSCs) are based on the direct relationship of the local producer and consumer, with no more than one intermediary in trade. This supply chain is mainly used by small-scale farmers for selling fresh fruit and vegetables (EC, 2014; Kneafsey et al, 2013).

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The European Commission (abbr. EC) perceives SFSCs as one of the manners of faster integration of primary agricultural producers into the agri-food chain and improvement of their competitiveness (which are, among other things, the priority aims of the Union in the field of rural development). Therefore, the farmers who participate in local markets and short supply circuits are provided the support by means of the rural development measure “Cooperation” (EC, 2013).

SFSCs are not officially defined in Serbia and the support for producers participating in these marketing channels is not recognized by the Law on incentives in agriculture and rural development (Government of the Republic of Serbia, 2016). However, a large percentage of farmers of the small economic and physical size, who are not able to participate in long supply chains or the network of large-scale trade companies, use these channels for placing their products on the market.

The aim of the paper is to present the current state in the sphere of understanding and applying SFSCs in Serbia, as well as to show the operation and the required conditions for producers in order to participate in these chains, using the example of agricultural producers in the municipality of Kladovo. The analysis involved secondary data, as well as the data obtained by in-depth interviews with key stakeholders in the rural development of the municipality of Kladovo. The data were processed and analyzed by means of the qualitative research method.

Short food supply chain in Serbian agriculture

As the result of the domestic market liberalization and integration of Serbia into the global trade flows, Serbia is characterized today by a greater number of modern retail chains with complex demands for suppliers regarding delivery (prices, quantities, quality, standards, and delivery deadlines) and high negotiating strength at the market.

At the same time, the strategic document in the field of agriculture and rural development in Serbia (Government of the Republic of Serbia, 2014) emphasizes that a large percentage of primary agricultural producers of the small economic and physical size are excluded from long and highly demanding food supply chains due to the fragmented, disunited and unstable offer. Due to this kind of offer and small production capacities, small-scale farmers simply cannot ensure the sufficient quantity of products of equal quality; they cannot fulfill strict requirements of large trade chains related to the implementation

of quality standards; they cannot ensure continuous supply; and they have no possibility of lobbying for joining large trade chains or for better selling conditions. In addition, a study by a group of authors (Živkov et al., 2013) highlights the fact that the trade chain of agricultural products in Serbia is short (without adding value to products), as well as that to a great degree farmers do business, i.e. trade, in the grey economy zone.

Bearing the aforementioned in mind, the Strategy for Agriculture and Rural Development of the Republic of Serbia 2014–2024 (Government of the Republic of Serbia, 2014) emphasizes the need for the stronger integration of agricultural producers into large trade chains and the need for recognizing the concepts of local markets and short supply chains. FAO (2020) also highlights that short food supply chains are useful and promising for a great number of small-scale farmers in Serbia, who still mainly sell their products in (semi)-informal trade channels.

Serbia does not have an official definition of the “*short food supply chain*” concept and it has not regulated the support for farmers’ participation in these supply chains at the national level. However, the Ministry of Agriculture, Forestry and Water Management has facilitated the food production and marketing at the domestic market for producers of small quantities of food of plant and animal origin by introducing the two following regulations:

- “Regulation on small quantities of primary products used to supply consumers, areas for performing of these activities, and deviations related to small entities in the business with animal origin food” (Official Gazette of the RS, No. 111/17). This Regulation defines the issues related to producing and marketing raw milk, products based on processing raw milk, fish and eggs, slaughtering and processing of meat and similar products;
- “Regulation on the production and trade of small quantities of food of plant origin, on the area for performing these activities, as well as on the exclusion, adjustment or deviation from food hygiene requirements” (Official Gazette of the RS, No. 13/2020). This Regulation defines the issues regarding the production and placing on the market of the following products: flour, bread, pastry, pasta, fruit juices, dried fruit, thermally processed vegetables and similar products.

Among other things, these Regulations also define the notions such as: local market, local sales, small quantities of local products, small food quantities,

small entity in food business, small capacity facility, etc. In addition, they more thoroughly prescribe the conditions for placing small quantities of food on the market, as well as the construction, arrangement and equipment of facilities where food is produced, primarily from the aspect of exclusion, adjustment or deviation from food hygiene requirements for the producers of small food quantities. This implies allowances for producers which, among other things, refer to the producers' self-control plan and the frequency of and sample number for examining the production process and product safety, conditions for product declaration, scope and content of the documents and records related to the raw material origin, production and marketing, and alike.

In this manner, the conditions have been created for food producers to sell their products legally in several manners, such as: direct delivery to consumers, selling on the farm, at the green market, in retail facilities, by means of home delivery ("door-to-door"), at manifestations and by means of the so-called "homemade meals" (marketing in rural tourist households). While doing so, food producers are obliged to be entered in the Central Register of Facilities for Food Production and Circulation kept by the Ministry of Agriculture, Forestry and Water Management.

The "short food supply chain" concept is additionally promoted in Serbia by means of the following two projects financed by the European Union's Horizon 2020 research and innovation programme, which include partners from Serbia:

- Smart solutions in short food supply chains (Smartchain project, <https://www.smartchain-h2020.eu/>) and
- Strength2Food project (Strength2Food, <https://www.strength2food.eu/>).

Short food supply chains in the municipality of Kladovo: a case study

Kladovo has a status of a municipality and it is located in the Bor District, in the Southern and Eastern Serbia region. It belongs to a group of insufficiently developed municipalities, with the development degree ranging from 60% to 80% of the national development average (Municipality of Kladovo, 2021)

Agriculture represents a significant resource of development of this municipality, but it has numerous limitations. Also, the market chain of agricultural products has many limitations regarding development, primarily in terms of the following characteristics (Municipality of Kladovo, 2021):

- Small market surplus of primary agricultural and processed agricultural products (a small number of market-oriented producers of goods);
- Fragmented and disunited offer (undeveloped farmers' cooperatives and a low degree of farmers' association);
- Unorganized purchase flow for all products (except for field crops) which partly belong to the "grey economy" zone;
- A short chain of agricultural products' value (selling primary agricultural products without adding value through processing, packaging, geographical indications and similar).

However, in contrast to the aforementioned, it is noticeable that a number of agricultural producers use short supply chains and local market participation as a way for promoting and placing their products on the market. On the basis of the example of the Municipality of Kladovo, farmers' participation in short supply chains implies placing the products on the market by means of some of the following channels (Paraušić, 2021):

- Green markets in the municipality of Kladovo;
- Local fairs and manifestations:
- Doorstep sale;
- Marketing through the local retail chain.

The following text provides more information about these marketing channels, the products which are promoted and placed on the market in this manner, as well as the conditions which farmers are required to fulfill.

Marketing agricultural products at local green markets. Two green markets in the municipality are managed by the Public Company "Komunalac". One of the markets is located in the settlement of Kladovo, while the other is in the settlement of Brza Palanka. At these markets, approximately a dozen of agricultural producers from the territory of the Municipality of Kladovo (mostly from the settlements of Mala Vrbica, Velika Vrbica and Rtkovo) seasonally sell their products, mainly seedlings, fruit and vegetables. These farmers are obliged to have an active agricultural holding, entered in the Register of Agricultural Holdings (abbr. RAH), led by the Directorate for Agrarian Payments.

Promotion and marketing of agricultural products at local fairs and manifestations. The Municipality of Kladovo organizes a large number of fairs and manifestations, such as: "Ethno-festival of Eastern Serbia" (July-August);

“Kladovo Summer” (held every weekend from April to September with around 15 different manifestations occurring within this programme); “Exhibition of honey and bee products” (September); “Saint Tryphon” (February 14); “Golden Fish Bait” (traditional catfish catching held every August); “The Open Heart Municipality” (New Year’s holidays). During the majority of these manifestations, farmers exhibit and sell honey and other bee products, homemade cakes, jam, juice and fruit preserve. In order to exhibit and sell these products, farmers are obliged to have a registered agricultural holding, i.e. the holding entered in the RAH, as well as to fulfill other conditions prescribed by laws and appropriate regulations for food production and placing on the market.

Direct doorstep sale. Honey and cheese are mainly placed on the market in this manner. These products are sold to well-known buyers who have a years-long cooperation with producers. Small quantities of products are sold in this manner.

Placing the products on the local market through retail chains. The most significant retail chain in Kladovo is “Tekijanka” Ltd, Tekija. Since a small percentage of agricultural and processed agricultural products represent the commodity production intended for the market, the possibilities for marketing products by means of this retail chain have been insufficiently utilized. Namely, this retail chain cooperates with only a few farmers (active registered agricultural holdings) from the territory of the Municipality of Kladovo who deliver fruit and vegetables, as well as with the “Gamanović” winery from Kladovo. In order to place their products on the market through this retail chain, producers have to meet a series of requirements. Primarily they have to possess: (1) an active registered agricultural holding; (2) legal production fulfilling all requirements regarding production, business and trade prescribed by national laws and regulations; (3) sufficient quantities of products to be placed on the market; (4) safe delivery and (5) constantly maintained high-quality of products, etc. (Paraušić, 2021).

There are additional requirements for farmers related to placing products on the market through retail trade companies in terms of the obligatory declaration or labelling of products (barcodes or QR codes). These requirements are prescribed by the Law on Trade (Official Gazette of the RS, No. 52/2019, Article 34). The GTIN identification (Global Trade Item Number), better known as the “barcode”, is used for the unique identification of trade items worldwide. In Serbia, barcodes are assigned by the GS1 organization. While barcodes are paid for (as a sort of the membership in the GS1 organization), QR codes are free of charge and can be obtained on the internet website “QR

free generator”. Although producers or importers (for imported goods) are responsible for machine-readable product labels on the declaration, sellers bear consequences if a product without this label is found in retail shops.

Conclusion

In Serbia, the concept of placing agricultural products and food on the market through short food supply chains is developed in practice, but this concept is not sufficiently institutionalized and supported, and in one percent it is still present in the gray economy.

By introducing appropriate regulations, the Ministry of Agriculture, Forestry and Water Management has facilitated conditions for placing small food quantities on the market and the construction, arrangement and equipment of facilities where food is produced, primarily from the aspect of exclusion, adjustment or deviation from food hygiene requirements for the producers of small quantities of food of plant and animal origin.

In this manner, conditions have been created for food producers to sell their products legally in several manners: directly on the farm, at the green market, in retail facilities, by means of home delivery, at manifestations and through the rural tourist offer. While doing so, food producers are obliged to be entered in the Central Register of Facilities for Food Production and Circulation kept by the Ministry of Agriculture, Forestry and Water Management.

The case study of the Municipality of Kladovo has shown that producers in this municipality use various short food supply chains to successfully placing their small quantities of market surpluses to the consumers on the local market.

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