

SUPPORT ORGANIC FARMING AS A CLEAN TECHNOLOGY AND DEVELOPMENT OF RURAL AREAS IN THE EU AND SERBIA¹

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Abstract

The aim of this paper is to point out the importance of the role of organic farming, as way of clean production, could have in development of rural areas, through the attraction of financial resources. The paper is structured into two parts. In the first part of the paper, we provide a brief overview of the evolution of the concept of organic farming, followed by an insight into the spreading of these agricultural practices in the world. In addition, an overview of basic data on agriculture in Serbia, and potentials for the development of organic agriculture, and the current state of the sector in our country are also described. Data from FiBL / IFOAM survey (2016) and Eurostat (2015) on organic agriculture served the authors as the basis for this paper. In order for the analysis to communicate trends, findings and conclusions, the authors made use of available data for the period 2005-2014. For the analysis on the Republic of Serbia, available data from the Statistical Office and the Ministry of Agriculture and Environmental Protection were used. The second part of the paper shows a system of support for rural development and organic agriculture in the European Union, as well as in the Republic of Serbia. The sources used in the paper come from official documents of the European Commission and the Republic of Serbia.

Key words: *organic agriculture, rural development, policy support*

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Introduction

Further development of industrialized agriculture is increasingly being questioned because of its negative impact on the environment and the deteriorating quality of food. Therefore, the concept of sustainable agricultural production is based on a balance between economic, ecological and social development has been emphasized in the last decades.

From the social, economic and ecological point of view, organic farming is fully integrated into the concept of sustainable development in the long run. The sustainability of organic production is reflected in the rational use of natural resources, without exhausting, but rather through maintaining and increasing their diversity, leaving no negative impacts on the environment. Organic farming is controlled and subject to inspection, which is why it has the trust of consumers in terms of quality and food safety.

The idea of organic farming is more than 80 years old, but only in the mid 1980ies did it gain in importance, since this production brought dominant economic principles into the best possible correlation with environmental requirements, which is the essence of sustainable development of agriculture (Roljević et al., 2009). Today, organic agriculture is practiced in 172 countries around the world, on around 40.3 million hectares (1% of global agricultural land), on which there are registered 1.8 million farms (FiBL-IFOAM, 2016). The growth in global demand for organic products encourages increase in the total area under organic production. Between 2005 and 2014 the area under organic production increased more than 50%. The total value of organic products at 11 billion euros in 2003 increased to 62.6 billion euros in 2014 (FiBL-IFOAM, 2016).

Compared to developed countries, organic agriculture in Serbia is of recent date, so the size of the soil area under this type of food production is not large. According to data from 2014, there are 7,897 ha under organic production in Serbia, or 0.2% of total agricultural land, which indicates that the current scope of this practice is much smaller than the real potential.

The development of agriculture and that of rural areas are in interaction, which indicates the important role that organic farming can play in improving the quality of life of the rural population. On the other hand, the available economic resources, favourable natural conditions, the existing socio-cultural, and human resources, can contribute to the promotion of organic agriculture in the socio-economic development in terms of sustainability.

The development of the concept of organic agriculture and its basic principles

Rudiments of organic agriculture date back to the early twentieth century. The precursor of the organic movement in agriculture is the "The Agriculture Course" held by the Austrian philosopher Rudolf Steiner (1861-1925) in Poland in 1924. Steiner emphasized the role of farmers in managing and establishing a harmonious life between animals, plants and soil, which share a common living space. He felt that the nature of the industrialization of agriculture increasingly degrades and loses vitality, and that the cause of decline in the quality of food lies in the application of fertilizers and pesticides, and that the transition to a modern, i.e. the chemical-based agriculture in the near future would create a number of problems.

The originator of the idea about the concept of organic agriculture is considered to be a British botanist, Albert Howard (1873-1947), who studied the traditional agricultural practices of Indian farmers, and realized the importance of composting for the maintenance of soil fertility, and thus for the production of crops. The results of his research were published in the book "An Agricultural Testament" (1940) in which he described the key concept of organic agriculture, which is the use of available waste materials from the farm to increase the humus content and improve soil fertility.

During 1909, an American agronomist Franklin Hiram King (1848-1911) studied the traditional systems of fertilization and ploughing in China, Korea and Japan. In his book, "Farmers of Forty Centuries" (1911), King pointed out the emergence of "a worldwide movement for the introduction of new and improved methods of agriculture", and this work has for years served as an important guide for organic agriculture.

The term "organic agriculture" was first used by Lord Northbourne (1896-1982) in his book "Look to the Land" (1940). Northbourne did not use the term *organic agriculture* only in the context of the significance of organic matter to soil fertility, but also as a concept of farm management as an integrated system in which land, crops, animals and man are integrated. This systematic approach is the core of organic agriculture today.

By the end of 1940 organizations like "Soil Association" in Britain and "Bioland" in Germany, which is the first certification organization for organic agriculture in the world, were established.

In Serbia, the development of the NGO sector of organic production began in 1990 with the establishment of associations for organic agriculture Terra's in Subotica. During 2007, the Organic Serbia Fund was established, and in 2009 the National Association for the Development of Organic Production *Serbia Organica*. These three organizations today are leading the development of organic agriculture in Serbia, each with their specific area of operation.

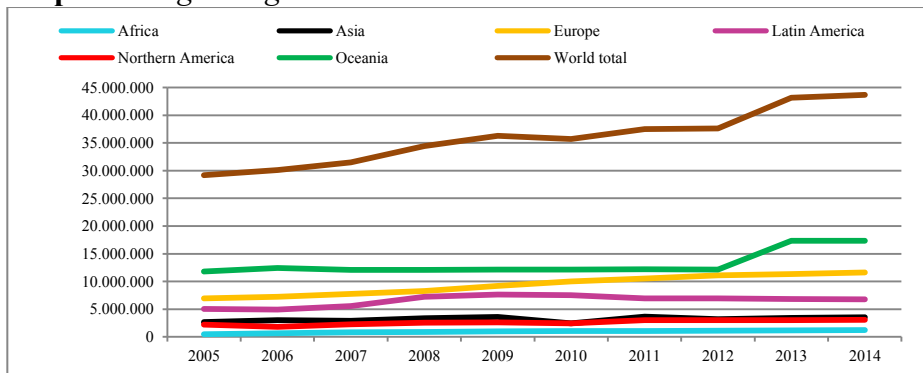
The basic principles of organic agriculture are based on the foundations of sustainable agricultural development, which include the management and conservation of natural resources and direction of technological development to meet the needs of present and future generations. Organic production is based on the sustainable use of natural resources, the preservation and enhancement of biodiversity in agro and self-sufficiency of the farm (Roljević et al., 2009).

State and prospects of development of organic agriculture in the World

The rapid growth of the sector of organic agriculture is a response to the growing needs of consumers who want healthy food, but also a result of the growing concern due to a decline in food quality and environmental protection. In accordance with the established priorities for sustainable development by 2030, goals 2.4 and 3.9 oblige governments to adopt sustainable land management techniques, including those used by organic agriculture in the fight against land degradation (UN General Assembly, 2014).

According to data from the FiBL-IFOAM (2016), organic production is performed on forty-three million hectares worldwide, representing around 1% of global agricultural land (graph 1). Compared to 2005, the area under organic production increased by almost 50%.

Graphic 1. *Organic agricultural land* in the world 2005-2014*



Source: FiBL-IFOAM, 2016, * Certified soil and soil in process of conversion

Countries with the largest areas under organic production are China, Spain, Italy, France and Germany (table 1). These countries have 16.5% of global organic surface area. On the other hand, the countries with the largest share in the total organic agricultural land are Falkland Islands (Malvinas), Liechtenstein, Austria, Sweden and Estonia.

Table 1. *Countries with the largest areas under organic production and the highest proportion of organic land in total agricultural land*

State	ha	State	%
China	1,925,000	Falkland Islands (Malvinas)	36.3%
Spain	1,710,475	Liechtenstein	30.9%
Italy	1,387,913	Austria	19.4%
France	1,118,845	Sweden	16.4%
Germany	1,047,633	Estonia	16.2%

Source: FiBL-IFOAM, 2016.

Based on the data of categories of used land (table 2), it can be seen that the largest share of the used land under organic production is under perennial grasslands (69.7%), followed by agricultural land under agricultural crops (21.5%), while the smallest share is held by perennial crops (8.7%).

Table 2. *Categories of soil use under organic production*

World	Arable land crops	Permanent crops	Permanent grassland
Africa	241,56	601,907	71,003
Asia	1,603,641	541,238	27,699
Europe	5,055,335	1,359,534	4,800,100
Latin America	327,961	797,867	4,546,856
Northern America	37,399	48,695	16,728,022
Oceania	1,245,48	67,525	1,284,296
Total	8,293,971	3,416,766	27,457,976

Source: FiBL-IFOAM, 2016.

On the other hand, the growth of demand for certain products has dictated the growth pace of certain categories of land use. Thus in the period between 2005-2014 the highest average annual growth rate was in the area under perennial crops (10.5%), followed by field crops (8.5%), while the lowest average annual growth rate was that of pastures (3.5%).

The number of registered organic producers is increasing year by year. According to data from the FiBL-IFOAM, the number of registered organic producers in 2014 was around 2.3 million, which is over 200% more, compared to 2005. Similar to the agricultural area, the largest number (almost three

quarters) of organic producers is located in developing countries. In the countries of Asia, Africa and South America, there are registered over 80% of the total number of organic producers, while producers from Europe, Australia and North America account for 17% of organic producers globally.

Organic farming in the European Union

The area under organic production increased significantly in the past ten years. At the level of the European Union, in 2005 the area covered 6.5 million ha, while in 2014, it increased to 10.3 million hectares, which is 60% more than in 2005 (table 3). The largest growth in this period was in Bulgaria, where the area under organic production increased 10 times. A significant increase in the area under organic production in the reported period was recorded in Poland (4 times), Belgium (3 times), Romania (2.7 times) and Estonia (2.6 times).

Areas under organic production vary significantly from country to country. Generally, the larger countries have more surface area under organic production. According to Eurostat data, the largest organic areas are found in Spain (1,710,475 ha), Italy (1,387,869 ha), France (1,118,845 ha) and Germany (1,033,807 ha), which dispose with 50% of the total organic surface of the European Union.

Table 3. *Area under organic production*

Country group	Land area (hectares)	Total land Share (%)	Growth 2005-2014 (%)
EU 28	10,250,742	5.7	59.5
Europe	11,625,001	2.4	67.4
Global	43,662,446	1.0	49.5

Source: *Willer et al., 2015, pp. 40.*

However, looking at the share of organic area in total of the usable agricultural area (UAA) gives a clearer picture of the relative importance of the organic sector in each of the member states, and their ranking is quite different. According to data from Eurostat (date of access to data 07.06.2016.) the share of organic area in total used agricultural area is the largest in Austria (19.3%), followed by Sweden (16.5%) and Estonia (16.3%). The share of organic area in the UAA over 10% is found in the Czech Republic (13.5%), Switzerland (12.7%), Italy (11.5%) and Latvia (10.8%). On the other hand, a very small proportion of the organic UAA are found in Malta (0.31%), Bulgaria (1.03%) and Romania (2.22%). The share of organic area (certified land and land under conversion) in the usable agricultural area at the level of the EU is 5.9%.

Changes in area under organic production should be analysed along with changes in the number of producers in this sector, in order to obtain a clearer picture of the interest in organic agriculture in the country. Eurostat data show that the number of producers on the EU level in 2014 increased by 1.5 times compared to 2005. The number of producers of organic food in 2014 at the level of the EU amounted to 257,525, which is 2.4% of the total number of households (10.8 million³).

Most registered organic producers are located in Italy (45,965), Spain (30,502), Poland (26,598) and France (25,467) and account for 50% of the total number of organic producers in the EU.

Increases in area under organic production have been accompanied by dynamic growth of an organic products market. The total value of the organic market in the European Union in 2005 was 11.1 billion euros, while in 2014 it doubled, and according to Willer et al. (2015) amounted to 24 billion euros. At the same time, the retail value of organic products in the EU is the second largest single market for organic products in the world, after the US (27.1 billion €).

The consumption of organic products per capita in the EU during the period 2005-2014 increased by 110%, or more precisely from €22.4 to €47.4. The consumption of organic food per capita in Europe in general, particularly at the global level, is considerably lower (table 4).

Table 4. *Organic market and production trends in Europe by country group, 2014*

Country group	Retail sales (billion EUR)	Per capita consumption (EUR)	Producers	Land area (million hectares)	Total land Share (%)
EU 28	24.0	47.4	257,525	10.3	5.7
Evropa	26.2	35.5	339,824	11.6	2.4
Global	62.6	8.3	2,260,361	43.7	1.0

Source: Willer et al., 2015, pp. 21.

Dynamic growth is a result of continuous improvement and the introduction of innovations in the system of organic agriculture in order to respond to the high expectations and demands of consumers for quality food, support for the health of the environment, animal welfare and rural development. However, despite the rapid growth of the sector of organic farming, there still exists an imbalance between the volume of production and the growing demand for organic food.

³ <http://appsso.eurostat.ec.europa.eu/nui/show.do>

Agriculture in the Republic of Serbia and its potential for organic food production

The Republic of Serbia has great, so far under-used, ecological, economic and social capacities for agricultural production. The natural characteristics of the soil, the availability of water resources, and climate provide broader framework for structuring of agriculture, that on such grounds, could be viable and sustainable. Due to the numerous factors of degradation in recent decades, there is a tendency of reduction in agricultural land per capita, and globally, each inhabitant has 0.21 hectares of agricultural land at their disposal, while the disposable land per capita in Serbia is almost three times higher, at 0.64 ha of agricultural land per capita. The availability of agricultural land gives Serbia a comparative advantage to develop agriculture in the direction of cleaner production, and production of sufficient quantities of food of very high quality (Filipovic et al., 2013). At the same time, it does not mean that a reasonable or sustainable use of natural resources should not be a priority in any future strategic planning of development of the entire community, both rural and urban.

Table 5. *Land for use by category*

	Total agricultural soil (ha)	Utilised agricultural land (%)	Utilised (%)	Forest (%)	Other land (%)
Republic of Serbia	5,346,597	64.3	7.9	19.1	8.6
Serbia – North	2,302,548	75.8	3.7	7.5	13.0
Belgrade region	253,307	53.8	4.8	10.4	31.0
Vojvodina region	2,049,241	78.5	3.5	7.1	10.8
Serbia – South	3,044,049	55.6	11.2	27.9	5.3
Region Šumadije and Western Serbia	1,865,958	54.4	7.6	33.9	4.2
Region South and East Serbia	1,178,091	57.5	16.8	18.5	7.1

Source: *SORS, 2013 and author's calculations*

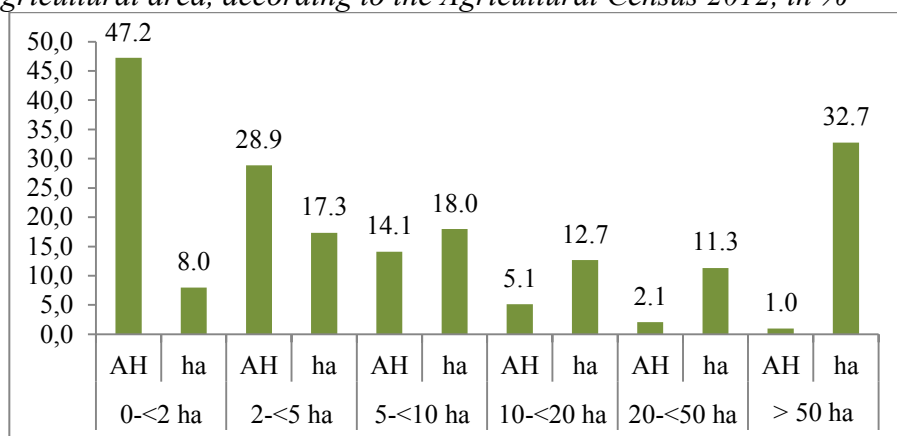
The structure of land used by category is given in Table 5. Arable land makes up 64.3% of agricultural land, where 50.7% of this surface area is located in the northern part, which makes a third of the total area of the Republic of Serbia. The remaining 50%, i.e. 49.3% of arable land is located in the Southern part of which represents 72% of the territory of Serbia. The largest share of arable land in total agricultural land is in the region of Vojvodina.

In the structure of the used arable land, farms are dominant with 73.1%, followed by meadows with 20.7%, while perennial crops cover 5.4% of utilized

agricultural area. The most common type of land is chernozem, which is characterised by high productivity. Broken down by bonitet classes, class 1 bonitet is the most widespread in Vojvodina, while in Central Serbia the land belongs to class 6 bonitet, which largely determines the structure of production. In the structure of sown arable land, cereals account for 62.8%, industrial crops for 14.3%, vegetable crops 8.4%, and fodder crops for 14.5% (SORS, 2014).

The largest part of agricultural land, about 87% is privately owned and this ownership structure has a negative impact on the size of the average farm. In Serbia most farms are small and medium-sized, up to 2 hectares (47.2%) and 5 hectares (28.9%), which puts Serbia among the countries with a high degree of fragmentation of holdings, i.e. the smallest agricultural holdings in Europe (graph 4). Small land properties together with the extensive character of production and the low level of utilization of existing processing capacities significantly reduces the productivity of the domestic agribusiness sector, which has a negative effect on the income of households. Only 6,245 agricultural households have a surface area greater than 50 hectares, but they have roughly one-third of total used agricultural land at their disposal. Households with small holdings are located primarily in central and southern Serbia, and they produce various crops, including fruit, vine and vegetable crops, while in the territory of Vojvodina there are larger farms specialized for vegetable crop production.

Graphic 4. *Agricultural holdings (AH) in Serbia by the usable agricultural area, according to the Agricultural Census 2012, in %*



Source: SORS, 2013 and author's calculations

Agriculture is an important economic sector in Serbia, and it is the basis of economic development and the driving force behind the development of rural areas. According to the data from the Ministry of Agriculture from 2014, the

share of agriculture in total employment was over 21%, the share of GVA of agriculture in GDP was at 8.1%, while the share of agri-food products in indicators of foreign trade exports was 20.8%, and 8% in imports (MAEP, 2014, Book 1).

Although it has been present in our areas for twenty years, organic agriculture has not reached its real potential, since only 7,897 ha of 3,294,922 ha of arable land is under organic crops. The structure of crop production is dominated by vegetable farm crops (67%), followed by fruit production (28%), while vegetable gardening is practiced on only 2% of cultivated land in the organic production system (Table 6).

Table 6. *Areas under organic production in Serbia in 2014.*

Category	In the period of conversion (ha)	Certified areas (ha)	Total (ha)
Cereals	1,842	985	2,877
Industrial plants	1,095	133	1,228
Fodder crops	350	854	1,204
Vegetable	22	131	153
Fruit	731	1,477	2,208
Medicinal and Aromatic Plants	6	55	61
Rest	201	13	214
Total arable land	4,249	3,648	7,897
Meadows and pastures	527	1,022	1,549
Total	4,726	4,670	9,446

Source: MAEP, 2014, Book 2.

The structure of growing is dominated by growing arable crops, mainly cereals, which cover 36.4% of organic arable land. The most common is the cultivation of wheat, barley, rye, triticale, corn, soybean and sunflower. Around 28% of organic arable land is under orchards, and the most common practice is to grow apples, plums, raspberries, cherries and strawberries.

The number of farms that practice organic production is 1,876, which is 0.3% of the total number of farms in Serbia. The largest number of farms are in the south, followed by west Serbia and Vojvodina, and the area intended to organic production does not exceed 15-25% of the total holdings.

According to MAEP (2014) in 2013, the total quantity of exports amounted to 7,101 tons, which is 4.5 times more than in 2012 (1,562 tons), while the total value of exports in 2013 (101 million euros) was higher by 27 times compared to 2012 (3.74 million).

Policy support for rural development and organic agriculture in the EU

Rural areas represent more than 77% of the total area of the EU (47% agricultural land and 30% forests) and they are inhabited by about half the population of the European Union (DG AGRI, 2015), which is why the rural development policy is one of the most important ones for the economic growth of the EU, both because of the number of regulations, and in terms of participation of the policy of development of agriculture in the total budget of the European Union. The roots of rural development policy can be found in the Common EU agricultural policy (CAP).

The Common Agricultural Policy (CAP) is one of the most important areas of functioning of the EU institutions. It aims to support agriculture that guarantees food safety (in the context of climate change) and to ensure sustainable and balanced development of rural areas, including areas with difficult production conditions. Overall, the CAP is based on two pillars:

(1) *Direct subsidies to farmers and support for the market of agricultural products* include direct financial assistance to farmers in order to provide a stable income. To be eligible for subsidies, farmers must now respect the principle of cross-compliance, which is based on two sets of rules. The first relates to the regulations in the production concerning the protection of the environment, human health, plant and animal welfare, while the second group relates to good agricultural practice with the aim of preserving the land in good condition.

(2) *Rural development*. Rural development policy is implemented through three elements: 1) improving the competitiveness of the agriculture and forestry 2) improving environmental protection and rural areas, and 3) improving life in rural areas and diversification of the rural economy. All rural development programs must include measures for the protection and improvement of natural resources and the environment in rural areas. Organic farming has to comply with all measures of protection and improvement of natural resources and the environment in rural areas, i.e. it can contribute to their realization. On the other hand, all these measures create favourable conditions for the spreading of organic farming.

The Common Agricultural Policy (CAP), with new strategic framework for 2014-2020, has experienced a significant reform. The reform of the CAP is aimed at a more equitable distribution of budget funds between Member States, the most significant changes in the policy relating to the introduction of so-called. "Green payments", which will in the long term make possible sustainable

food production, sustainable management of natural resources in terms of climate change and balanced territorial development. In short, the agriculture of the European Union should achieve a higher level of safe and quality food, while preserving the natural resources on which it directly depends.

The *European Agricultural Guarantee Fund* (EAGF) finances direct payments to farmers and measures to regulate agricultural markets such as intervention and export refunds, while the *European Agricultural Fund for Rural Development* (EAFRD) finances the rural development programmes of the Member States. The total budget of the CAP for the period 2014-2020 amounts to 408 billion euros, of which 313 billion euros is meant for the financing of measures under the first pillar policy, while 95 billion euros is earmarked for the financing of rural development policies (table 7). The budget of the CAP makes 37.8% of the total budget of the Union, indicating a significant reduction in the share of the total EU budget in the past 30 years, when the share of the CAP accounted for up to 75% of the total budget.

Table 7. CAP budget for period 2014-2020 (in billion EUR)

	2014-2020 Ceiling (Current Prices)	2014-2020 Ceiling (2011 Prices)
Pillar 1	312.74	277.85
Pillar 2	95.58	84.94
Total CAP	408.31	362.79

Source: Overview of CAP Reform 2014-2020, European Commission, No. 5, 2013

Agri-environmental programs of the CAP encourage and stimulate farmers to be more environmentally conscious, and use financial assistance to direct farmers to adapt their conventional agricultural practice to methods of sustainable use and management of natural resources. Since 2015, all EU Member States will have to focus 30% of the funds meant for direct payments to farmers on financing sustainable agricultural practices, and on making the Common Agricultural Policy “greener” (“Multiannual Financial Framework 2014-2020 and the financing of the CAP”).

Furthermore, at least 30% of the budget for the program of rural development should focus on the support of agri-environmental measures, organic farming or investments in projects that are in harmony with the environment. The expected budget support for agri-environmental measures in the context of rural development amounts to about 25 billion euros.

Support for organic agriculture in the European Union and neighbouring countries includes grants under the program for rural development, legal protection, as well as European and national action plans. The total amount of resources devoted to organic agriculture from the European Fund for Development of Agriculture and Rural Development (EAFRD) for the period 2014-2020 amounts to 6,286 Billion Euros, or 6.4% of total EAFRD funds (€ 95.58).

Policy support for rural development and organic agriculture in Serbia

According to OECD definition, 85% of Serbia's territory belongs to rural areas, with almost 55% of the total population (Bogdanov, 2007). Besides human resources in rural areas are the most concentrated natural resources, economic activities and cultural heritage. Rural development policy in Serbia is under the Ministry of Agriculture and Environmental Protection and the Law on Agriculture and Rural Development ("Off. Gazette of RS", no. 41/2009 and 10/2013, Article 3) implementation of the policy is carried out through implementation of the Strategy for agriculture and rural development in the Republic of Serbia, the National Programme for agriculture, and the National Programme for Rural development. The implementation of agricultural policy is carried out through direct, market and structural incentives. Structural incentives include the rural development measures which relate to:

(1) Improving the competitiveness of agriculture and forestry. These incentives are implemented through investments in agricultural production and investment in agricultural product processing and marketing.

(2) The improvement of environmental programs, biodiversity conservation and diversification of the rural economy is realized through incentives for organic production and incentives for the conservation of plant and animal genetic resources. The incentives for organic production in 2014 were increased 40% compared to premiums, incentives for production and recoveries in conventional production (MAEP, 2014, Book 1).

(3) Improving the quality of life in rural areas is being implemented through incentives for economic activity in terms of adding value to agricultural products, as well as the introduction and certification of food safety and quality, organic products and products with geographical indications.

A total of 262 million euros is intended for the realization of the policy of incentives in agriculture and rural development in 2013 by Regulation (table 8), whereby according to the Ministry of Agriculture and Environment, 234.8 million

euro has been realized (MAEP, 2014, book 1). The most common form of subsidies are direct payments, to which 92% of total assets are devoted. The second most common form of incentives is support for rural development, for which about 10.5 million euros have been allocated in 2013, i.e. 4% of total intended funds. As part of the funds intended for incentives for rural development, 1.7 million, or 16.6% is defined for the development of organic agriculture.

On the other hand, the policy of implementing incentives in agriculture and rural development in 2016 has received 159 million euros in accordance with the Regulation (table 8), which is 40% less compared to 2013. Direct payments are still the most common, with a share of 86%, but the share of rural development support increased to 9% in the total amount of funds. What is worrying is the fact that the funds intended for stimulating organic agriculture drastically reduced and in 2016, and amounted to only 747,000 euros, which is 5% of the funds intended for incentives for rural development.

Table 8. *The amount of subsidies in agriculture and rural development in 2013 and 2016, converted into EUR*

	2013*	2016**	Index 2016/2013
Direct payments	242,305,846.40	137,844,597.90	-43.11
Rural development	10,494,954.45	14,941,510.97	42.37
Organic farming	1,745,200.70	747,359.87	-57.18
Credit support	4,363,001.75	4,874,086.11	11.71
Special support	4,851,657.94	1,889,926.89	-61.05
Total	262,015,460.60	159,550,121.90	-39.11

Source: *Regulation on the allocation of subsidies to agriculture and rural development in 2013. and 2016.*

* Average exchange rate of the euro as of 31.12.2013 amounted to 114.6421 RSD.

** Average exchange rate of the euro on the day of 31.05.2016 amounted to 123.1015 RSD.

Development of Organic Agriculture in Serbia takes place relatively slowly, but it is possible to accelerate the development through appropriate incentives. According to MAEP (2014) investment in organic production could contribute to an increase in the area under organic production by 25% compared to the current situation.

Bearing in mind that the current structure of the budget for the pillars of support for agriculture and rural development is uneven, with a distinct domination of the first pillar, the Strategy of Agriculture and Rural Development of the Republic of Serbia 2014-2024 plans for a more equal distribution (table 9). Such

a policy and a strong focus on the measures of the second pillar of support, put together a much stronger emphasis on development, in order to achieve greater compatibility with the EU model.

Table 9. *Projected agricultural budget RS, 2014-2024, mln. euros*

	2013	Sub-period of economic crisis (2014-2016)	Sub period re-growth and access to IPARD funds (2017-2020)	New sub period programming period EU (after 2020)	Approach
I pillar	230	240	370	530	680
II pillar	20	30	85	150	750
Special subsidies and more	30	35	50	75	110
Total	280	305	505	755	1,540

Source: *Agriculture and Rural Development of the Republic of Serbia 2014-2024, p.84, (Official Gazette RS, 85/2014)*

By starting the negotiation process for accession to the EU in the field of agriculture and rural development, there appears an imperative need to harmonize national policies for agriculture and rural development with the rules and principles of the Common Agricultural Policy. In order to help candidate countries to adapt the agricultural sector and rural areas to the premises of the Common Agricultural Policy, the EU provides support in the form of IPARD funds (Instrument for Pre-Accession Assistance in Rural Development).

Out of the total budget of IPARD II for the period of 2014-2020, intended for Serbia, around 44% was planned for the measure “Investment in physical property of agricultural households”, and around 35% for the measure “Investment in physical property concerning processing and marketing agricultural products and fishery products”. The measure “Diversification of agricultural households and business development” are planned to receive 10% of the total budget with the goal of stabilising income in rural areas. The planned investments for improving agri-eco-climate measures are 5% of the total budget. The agri-ecological measure most often given support to is organic agriculture, both due to the overall gain it has for the environment and biodiversity protection, and for the increasing economic potentials of organic food.

Conclusion

The sector of organic agriculture is growing rapidly, but it still only represents a small part of the global agriculture. The data indicate that organic agriculture is

most widespread in developing countries, in marginalised areas where the conditions for implementing conventional/industrial agriculture are limited.

The European Union is one of the world leaders in the sector of organic agriculture, both in the aspect of areas under organic production, scope of production and the market for organic products, as well as the aspect of developing systems of institutional support for this sector.

The development of organic agriculture in the Republic of Serbia has until recently been quite slow, but it certainly possesses great natural potential for increase with adequate support and incentives. However, the assets for organic agriculture are increasingly modest. Bearing in mind that the existing budget structure meant for incentives in agriculture is uneven, with a distinct dominance of direct payments, the Strategy for Agriculture and Rural Development of the Republic of Serbia 2014-2024 predicts a more equal distribution. Besides, in the following period, Serbia will see assets from the IPARD fund for incentives in agri-eco-climate measures, and primarily organic agriculture, which is a prerequisite for its continued growth.

Based on the growth of need for organic food and the growth of the market on the global, and mostly the market of the EU, the organic sector in Serbia has the potential to become a leader in sustainable and holistic land development. Bearing in mind the disparity between organic food production and demand, Serbia has the opportunity to use the potential of investments in organic production. In that sense, the sector of organic agriculture can play an important role in support for rural areas through attracting investments.

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