

ANALYSIS OF AGRICULTURAL POLICY DEVELOPMENTS IN SERBIA¹

Vlado Kovacevic²

Abstract

The aim of the paper is to analyze the measures of agricultural policy and provide recommendations for its improvement. The Republic of Serbia implements agricultural policy measures at the national level, at the level of the Autonomous Province of Vojvodina, local self-governments and within the framework of the IPARD program. In addition to the above, the arrector also has other measures of support from various donors. In the work, the research method of literature review of legal regulations, the scope and measure of subsidies and the effects of the mentioned measures was supported. The most significant results that have been evidenced are the dominance of directly coupled subsidies, while the share of rural development measures has decreased. Furthermore, the legal framework was analysed and the existence of numerous systemic limitations are evidenced, negatively affect the Serbian agriculture competitiveness, protection of the environment and human health. The need to improve the legal framework is particularly significant in the sector of farmers' interest associations, regulation of GMO, control of pesticide traffic, etc.

Key words: *Agricultural support, IPARD, Rural development.*

Introduction

Main aim of this research is to analyze budgetary support to agriculture as well as legal framework. As sufficient support for the agricultural sector is crucial for increase for competitiveness in this sector, but supportive legal framework for doing business must not to be overlooked.

Serbia agricultural sector it characterized with low productivity (Kljajić et al., 2023), lack of risk management tools, farmers literacy (Radović, 2020). This deficiency is often compensated for by the lower costs of labor, energy, and land.

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2 Vlado Kovačević PhD, Senior Research Associate, Institute of Agricultural Economics, Volgina 15 Street, 11000 Belgrade, Serbia. Phone +38163554414, E-mail: vlado_k@iep.bg.ac.rs

on agricultural production in Serbia is the chronic lack of financing. Agricultural producers frequently struggle to get loans (Popović et al., 2018). Rural tourism activities as a complementary activity to rural households' budget are emerging (Nedeljković, 2022; Vuković and Kljajić, 2023).

Another critical limitation to Serbian agriculture lies in the unfavorable farm structure, dominantly with small and fragmented land parcels. This farm structure often hinders the attainment of competitiveness through economies of scale. Instead, the potential lies in the production of value-added products such as organic and geographical indications production (SWG, 2020; Nedeljković et al., 2022).

Another challenge in the development of agriculture in Serbia is the limited activity of cooperatives. The cooperative sector in Serbia significantly lags behind that of the European Union in terms of business activity, assets, and the number of cooperative members. As a consequence, small farms facing high input costs, challenges in marketing their products, and absence of storage and processing capacities, which are readily available to their counterparts in the EU (Milovanović and Kovačević, 2017). According to same authors, reasons for limitation in cooperative activities is found in inadequate legal framework and total absence of support measures toward cooperatives.

Serbian agricultural policy is strongly influenced by the EU accession process. The EU accession and alignment of national legislative with EU *acquis* as well as the EU pre-accession support play pivotal roles in compelling Western Balkan nations to align their agricultural policies with the Common Agricultural Policy of the EU (Erjavec et al, 2021).

The national policy framework relies on financial support through subsidies. These subsidies are predominantly implemented as direct coupled payments. Rural development measures are executed as a low percentage of the total investment value. The beneficiaries of national support encompass both individual and legal entities registered in the Farm Register (Radović, 2014.; Zubović and Jovanović, 2021). The rest of the paper is organized as follow: the methodology of the work and the analyzed incentive measures as well as the overall legal framework. Based on the conducted research, it is summarized.

Material and methods

The methodology employed in this research is:

Literature Review:

- In-depth exploration of existing scholarly literature in the agricultural sector.
- Comprehensive examination of relevant legal framework, studies, theories, and best practices to establish a strong knowledge base.

Stakeholder Consultations:

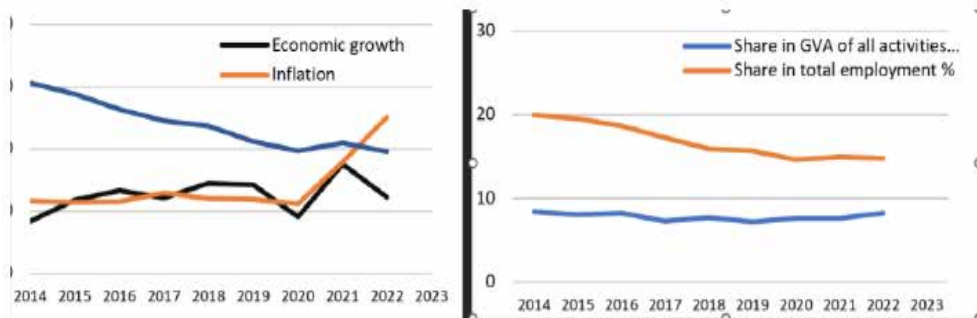
- Key stakeholders in agriculture.
- Capturing valuable insights and perspectives from experts, practitioners, and decision-makers.

The main data sources are SORS and SWG.

Discussion

Agriculture is one of the most important sectors in Serbian economy (Figure 1).

Figure 1: Economic growth (real change in GDP), inflation rate, unemployment rate (left) and share of AgGVA in all activities, share of Ag employment in total employment (right) (%); 2013-2022



Source: SORS

Agriculture is rare sector of Serbian economy with constant foreign trade surplus (Table 1).

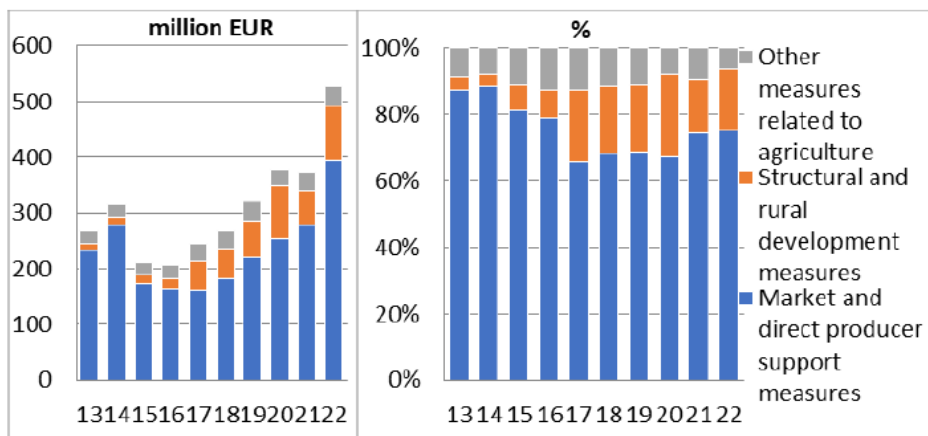
Table 1. Foreign trade balance in agricultural products 2014-2022

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Exports	2.294,7	2.560,2	2.889,6	2.817,1	2.851,5	3.246,2	3.643,4	4.210,4	4.790,6
Imports	1.255,4	1.359,8	1.392,9	1.609,8	1.705,0	1.866,8	2.047,8	2.377,6	3.145,3
Trade balance	1.039,3	1.200,4	1.496,7	1.207,3	1.146,5	1.379,4	1.595,7	1.832,8	1.645,3

Source: SORS

It should be noted that structure of foreign trade is not favorable as Serbia is exporting low value mostly raw products, while on import side added value products are prevailing.

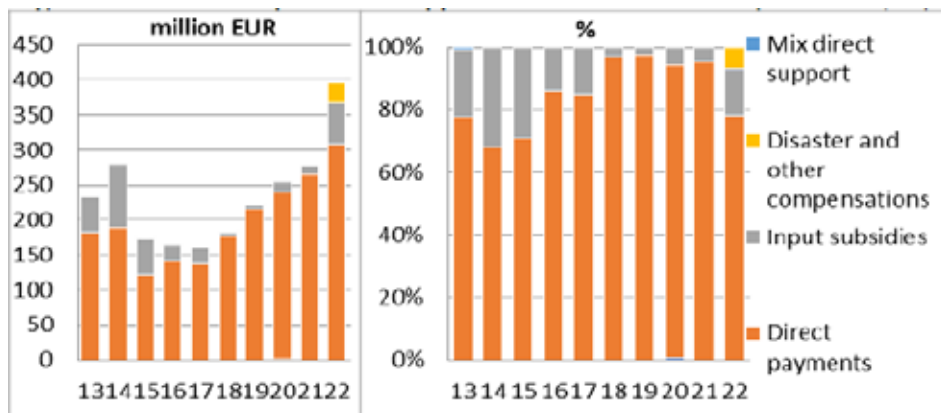
The foundation of Serbian agriculture is defined by the Strategy for Agriculture and Rural Development of the Republic of Serbia 2014 to 2024. While support measures are delineated by the Law on Agriculture and Rural Development and Law on Subsidies in Agriculture and Rural Development. Budgetary expenditure for agriculture is increasing (Figure 2).

Figure 2. Agrarian budget 2013-2022 (million EUR; %)

Source: SWG, 2022

Most of subsidies are direct payments, through area-based and per-animal payment schemes. Moreover, significant financial support is channeled through supplementary mechanisms such as the milk premium, which is linked to production levels. When looking at specific product categories, the dairy industry stands out as receiving the most substantial support, especially for raw milk.

Figure 3. Market and producers support measures 2012-2021 (mill. EUR; %)

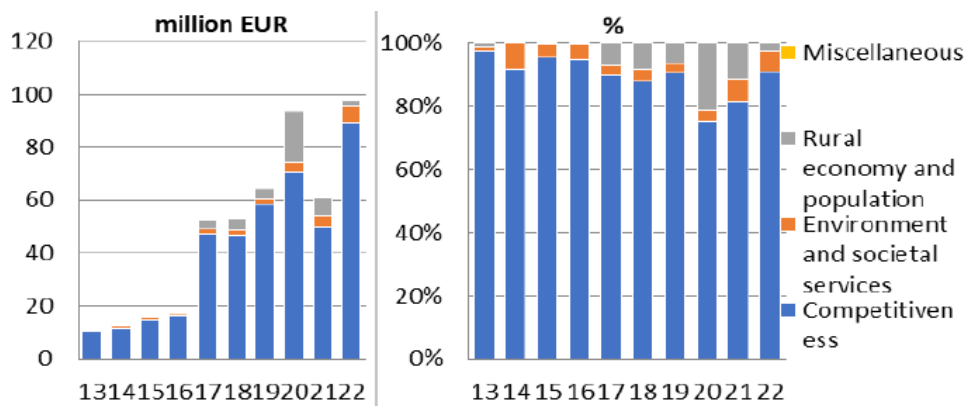


Source: SWG, 2022

Serbian coupled direct subsidies are not allowed by the EU regulations.

It can be stated that the stabilization of livestock production is attempted with little success by increasing subsidies. The basic systemic problem of Serbian livestock sector lies in the fact that the production and use of GMO animal feed is prohibited, while the import of animal products produced with cheaper GMO feed is allowed. In this way, Serbian livestock farmers are put in an unfair position, and the systemic problem is being solved with increased direct subsidies. At the scheme 4 rural development measures composition are presented.

Figure 4. Rural development measures 2012-2021 (mill. EUR; %)



Source: SWG, 2022

Beside national envelope Serbian Regarding the IPARD is available for Serbian agriculture. The IPARD II Programme will be succeeded by the commencement of the IPARD III Programme by the end of 2023. Total EU budgetary support in IPARD III totaling 288 million EUR. New measures are introduced within the IPARD III: agro-ecological-climate measures and organic production measures (Measure 4), local rural development strategy implementation via the LEADER approach (Measure 5), and investments in public rural infrastructure (Measure 6).

Regarding the institutional and regulatory framework, Serbia has a long way to go in establishing the institutional and regulatory framework. The need for further improvement in this area of analysis within this research is defined in the most important areas:

- IACS and LPIS systems need to be established;
- CMO regulation is adopted in Serbia and detailed regulations on producers' organizations and market interventions are awaiting;
- Serbia is rear Western Balkan country without full control of pesticide trade. Also the Law on pesticides prescribe that only registered users can purchase pesticides and introduction of central evidence on pesticide trade, this system is not in place.
- Insurance as a most important risk management tool is not fully developed in Serbia. Some approximation is that insurance coverage is around 5% of agricultural land. Structure of insurance is another problem dominating single peril insurance and lacking yield insurance.
- Legal framework on cooperatives is limiting further development of cooperatives in Serbia, while support measures are not in place.
- There is no guarantee institution in Central Serbia to support farmers in access to loans.
- Further progress in agricultural statistics as a main driving force toward evidence based agrarian policy is needed. The definition of rural areas is in accordance with OECD scheme instead of EU Degurba regulation.
- Initial success with public warehouse system allowing farmers to lend against stored products are limited with lack of inspection control on public warehouses.

Conclusion

The main conclusions drawn from this research are as follows:

- Shifting from coupled subsidies to rural development is necessary.
- Absence of the Integrated Administration and Control System (IACS), which hampers the full adoption and control of subsidies.
- The identification of Areas Facing Natural or Other Specific Constraints (ANCs) and public awareness regarding “green” policies remain areas in need of improvement. The definition of rural areas is in accordance with OECD scheme instead of EU Degurba regulation.
- Ongoing efforts to align policies, enhance awareness, and establish the necessary systems will be crucial for Serbia’s agricultural sector as it progresses towards EU integration.
- In terms of institutional and legal frameworks, there is substantial room for further improvement in enhancing the competitiveness of the Serbian agricultural sector and ensuring environmental and health protection. Key areas for improvement include the enhancement of the cooperative legal framework, the introduction of producer organizations, and structural support for farmers’ associations. Additionally, addressing the regulation of GMO issues, market interventions, and the regulation and control of pesticide use, as well as the introduction of agricultural insurance tools, are vital steps to promote the development of comprehensive insurance and increase insurance coverage.

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