Serbia economy briefing:
Serbian agricultural policy
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Abstract

If there is something Serbia has in abundance, it is fertile soil and a good climate. As the saying goes: whatever is thrown on the ground, sprouts. But natural resources are no longer the main prerequisites for agriculture - Israel has turned from a desert into an oasis, and Saudi Arabia and Australia have large farms in the middle of the desert that are irrigated with water from the ocean using desalination, for which they use solar energy. If everything will be in natural resources, with Vojvodina, Mačva and Šumadija, Serbia should feed half of Europe.

Introduction

Serbia is a country of great differences, both in terms of soil quality, and in terms of the agricultural production system, and the socio-economic level of development. This is particularly visible in the comparison between the developed rural areas of Vojvodina and the marginalized mountainous rural areas of central and southern Serbia. Agricultural land covers about 66% of the total area of arable land. Gardens cover 3.3 million ha, orchards 242,000 ha; and vineyards 58,000 ha. Permanent grasslands cover 28% of agricultural land.

Based on the data of the last agricultural census in Serbia from 2012, there are a total of 631,122 agricultural holdings, which cultivate a total of 3,355,859 hectares of land. Of the total number of agricultural farms, 628,555 are family-owned, and 2,567 are companies, cooperatives, entrepreneurs and farms owned by state institutions or churches and religious communities.

The size of farms in Serbia is generally smaller than the average size of farms in European countries. Over 75% of private farms have an area of less than 5 ha, and less than 5% have more than 10 ha. Due to their small size, most of these farms produce only enough for their own household consumption or the farmers sell only a small portion of their produce.

2 Ibidem.
**Characteristics of Serbian agriculture**

The basic characteristic of the multi-decade state of Serbian agriculture is economic devastation and constant decrease in the income of agricultural producers. In different intensity and modalities it manifests itself through the extraction of surplus value from agriculture mainly in favor of the following three sectors: industry, trade and banking\(^3\).

The industrial sector economically devastates the farming sector on two grounds: first, by constant increase in prices of agricultural inputs and by the increase in price disparity to the detriment of agricultural producers and, second, relatively low purchase prices of agricultural products for further processing in different branches of industry which constantly reduces the share of the farming sector in the cost price structure of the finals agricultural and food products, drinks and cigarettes and other products based on raw materials of agricultural origin.\(^4\)

The trade sector also contributes to the economic devastation of both farming and post-farming on two grounds sector of our agricultural economy. First by relatively high margins on agricultural and food products and second, inappropriately long agreed terms for the payment of goods received and/or non-compliance with those terms.

The banking sector, under the perennial pretext of the increased risk of doing business in Serbia, stands out the so-called management foreign banks, with incomparably higher interest rates and inappropriately high prices of other accompanying banking services (loan processing, account servicing...), economically devastates all three sectors of our agricultural economy (pre-farming, farming and post-farming) and especially farming since the height interest on bank loans inappropriate to long cycles of reproduction and relatively slower turnover of capital in agricultural production.\(^5\)

At the same time, the purchasing power of agricultural producers and their demand for agricultural inputs decreases which affects the extensiveness of agricultural production, the stagnant instability of yields and the volume of production, relatively low degree of utilization of the capacities of the respective branches of the processing industry and even higher reducing the competitiveness of Serbian agriculture in an increasingly liberal market.

Instead of stopping the decades-long negative tendencies in the process of joining Serbia to the European Union national economy, which are particularly manifested in the predominant function of agriculture as a social one “stabilizers”, they were additionally deepened by the

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\(^4\)Ibidem.

\(^5\)Ibidem.
action of the global economic crisis. After the global crisis followed the migrant crisis and as the newest energy crisis caused by the conflict in Ukraine. All of these crises had negative effects to Serbian agriculture and farmers particularly.

**Serbian agricultural strategy**

The strategic framework for the development of agriculture and rural development has been defined by “The strategy of agriculture and rural development of the Republic of Serbia for the period 2014-2024”\(^\text{6}\). This document defines the vision, strategic goals and directions of the development of agriculture and rural development of Serbia in the aforementioned ten-year period.

In addition, this document defines the framework of budgetary support (in total and by pillars of measures), which unequivocally reflects the development commitment of the new Strategy. This document will establish the foundations of the new agricultural policy, defined in accordance with the principles of modern management public policies and along the lines of the clear commitment of the Ministry for the gradual adoption of the model of European support to agriculture.

The significance of the adoption of the Strategy is the setting of strategic goals for the development of the Republic’s agriculture of Serbia, such as the growth of agricultural production and the income of producers, the growth of competitiveness, with reaching product quality and health safety standards, as well as sustainable management resources and environmental protection from the negative impact of intensive agricultural production.

Also, the goal of adopting the Strategy is to improve the quality of life and work in rural areas of the state and effective management of public policy in the field of agriculture and rural areas development.

Key precondition for successful implementation of the strategy are finances. In that sense, of greatest importance was Serbian Government decision to increase budget for the Ministry of agriculture, forestry and water management.

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It amounts to 79.7 billion dinars, and the largest part of the funds is intended for the improvement of production and the stability of producers' income. The amount of total subsidies in agriculture with all sources of financing is 68.7 billion dinars, which is 87% of the budget of the Ministry of Agriculture and Forestry for the year 2023 and 35% of the total subsidies of the Republic of Serbia.

In addition to direct payments for which 46.9 billion dinars are intended, 8 billion dinars have been set aside for rural development measures, 6.3 billion dinars for IPARD\(^8\), and 2.2 billion dinars for the Market-Oriented Agriculture Project implemented by the Ministry of Agriculture with the World Bank. …

Direct payment measures awarded to producers, include support measures for the milk premium, incentives for crop and livestock production and the realization of recourses. In addition to the payment of subsidies, investments in the arrangement of watercourses and protection against the harmful effects of water will continue (the part of water management that is financed through JVP Srbijavoda) in the amount of 1.93 billion dinars.

In 2023, the implementation of projects for field electrification, construction and reconstruction of irrigation systems, waste water treatment plants will be continued.

New technologies, including ICT and robotics, may introduce significant changes in today's agriculture. Related to that, in first stage, are planned the digitalization and introduction of the e Agrar system, which will integrate the functions of the Central Information System and the Office and will additionally speed up the processing of requests, creating the conditions for all cases received during the year to be paid in the same year.

All these novelties can be spiritus movens of Serbian agriculture, in which currently there is a large untapped potential, especially in sectors such as wine, organic food and animal husbandry.

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\(^8\) The IPARD PROGRAM of the European Union is an instrument for pre-accession aid in the field of rural development for reaching European standards and raising competitiveness. The program was approved by both the EU and the Republic of Serbia. See more at: https://agriculture.ec.europa.eu/international/international-cooperation/enlargement/pre-accession-assistance/overview_en
Conclusion

Serbian agriculture represents a more advanced part of the country’s overall economy, as it records greater growth and better trends than many other sectors. On the other hand, there are unrealistic assumptions and expectations likewise Serbia should be an agricultural superpower. Serbia accounts for 0.8 percent of land areas in Europe, Vojvodina 0.5 percent. Many European countries have a longer agricultural tradition, a large domestic demand for quality products, private and state investments in science and new technologies, as well as numerous other competitive advantages.

There are no doubts that Serbian agriculture can contribute much more than before to the overall development of the country, but unrealistic demands and agrarian policy measures guided by them can only cause counter effects.