

SERBIAN AGRIBUSINESS AWAITING THE EU INTEGRATIONS AND AGRARIAN POLICY

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Abstract

The production of food, raw materials (for other sectors), the trade exchange with the world, social, demographic and other aspects determine, among other things, multifunctional importance of the agribusiness for social and economic development of the Republic of Serbia. The agribusiness activity, according to the important natural and human resources and the level of production and processing achieved, is one of the most significant economic activities in Serbia. The participation of the primary agribusiness in the realisation of the gross domestic product of the Republic of Serbia in the period 2002 – 2013 was between 15.5 and 11.8 percent, however, if the total contribution of the agribusiness to other sectors is observed, this participation goes beyond 40 percent of total GD. It also near 44 percent of the population in Serbia lives in the rural areas (the population density below 150 inhabitants per square meter). It indicates on particular importance of the agribusiness for the stability of total economic and social development, the permanent food stability as well as social and political stability.

Keywords: *agribusiness, food, stability, country, exchange*

How and where to go further

In the last two centuries the agribusiness of Serbia had gone through two main periods ranging from the agricultural overpopulated to deagrarianization which started upon the Second World War and lasting up to date. At the beginning of this century the agribusiness entered the transition phase meaning the privatization and the lack of measures of the development agricultural policy. However, regardless of the phase the agribusiness found itself, it had bad economic position and insufficient financial support of the state. On the other side, its main task was to feed the nation and thus provide the social peace in the country.

Today in Serbia the agribusiness participates with 12 percent of the GDP and according to the census conducted in 2002 the agrarians make up near 11 percent of total inhabitants. The role and importance of the agribusiness particularly was revealed during the sanctions in the 1990's when the agribusiness turned out to be the most vital economic sector. Today the agribusiness in Serbia, its potentials and limits show the same trend which is that the investing in the agribusiness is lower than it is necessary (the agricultural budget amounts to 2.2 – 2.6 percent). The small households of three hectares the most are the dominant. While in the 1990's the agribusiness recorded the constant deficit, lately a substantial surplus in the agribusiness was recorded which in 2011 was 1,4 billion dollars. The agribusiness (the production and processing of the agricultural produce) is the most important economic sector in Serbia, which in the creation of the gross domestic product (GDP) participates with over 20 percent, and with the following activities with more than 40 percent!

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importance of the agribusiness for social and economic development of the Republic of Serbia. The agribusiness activity, according to the important natural and human resources and the level of production and processing achieved, is one of the most significant economic activities in Serbia. The participation of the primary agribusiness in the realisation of the gross domestic product of the Republic of Serbia in the period 2002 – 2013 was between 15.5 and 11.8 percent, however, if the total contribution of the agribusiness to other sectors is observed, this participation goes beyond 40 percent of total GD. It also near 44 percent of the population in Serbia lives in the rural areas (the population density below 150 inhabitants per square meter). It indicates on particular importance of the agribusiness for the stability of total economic and social development, the permanent food stability as well as social and political stability. The primary agricultural production in Serbia, since the former SFRY secession, functions in instable and extremely unfavourable conditions, with the unchanged production structure, first and foremost, the capital intensive production (the livestock breeding), because of the frequent lack of efficient measures of the agricultural policy.

- *The livestock fund in Serbia is lower by 50 percent in relation to the data from the 1980's. Its reduction will be felt after the drought in 2012. In the structure of the realized value of the agricultural production, only 31 percent of the value comes from the livestock breeding, while the number of the livestock heads is reduced to 0,30 per hectare of the arable land, which indicates an extreme extension of the domestic agribusiness. The optimal share of the livestock industry in the agriculture is at least 60 percent for Serbia, with the number of heads per hectare of the arable land.*

The inherited and yet unsolved problems from the previous period influence the agricultural production for years, realises slower growth if compared to its objective production capacities and the importance in the economic structure of the country. A drop in the physical volume of the production is particularly exposed in the existing extensive way of production where unfavourable climate conditions are extreme.

- *The physical volume of the agricultural production realized in the period of transition recorded huge oscillations: extreme growth in 2001 of 18.6 percent, in 2004 of 19 percent and in 2008 of 9.1 percent, then the growth in 2009 of 0.8 percent, then a drop in 2010 of 0.4 percent and in 2011 a growth of 0.8 percent. The varied cycles and ups and downs are features of the extensive production. However, while writing this paper there are no official data on the drought caused damages in the agribusiness of Serbia in 2012, the first estimates say that they amount to over three billion dollars. The drought took away a part of the crop production, influenced the slaughtering of livestock, and thus the total agricultural production will be lower. An growth of near two percent was expected, but the Economic institute estimates a drop of 10 percent.*

The following unfavourable influences are characteristic for the extensive primary agricultural production:

1. Long-lasting unfavourable position in the primary and secondary division due to the depreciated prices of the agricultural produce and disparity of the prices of industrial inputs and agricultural produce:
 - *The prices of inputs record an growth up to 30 percent annually, which raises the prices of harvest and low the productivity;*
2. Very low accumulative and reproductive capability of commercial and family-owned households, collective crafts and other agricultural producers
 - *Over 50 percent of the turnover of the agricultural and food industry is in the grey zone. The VAT payment evasion make the damage to producers and the state. At the same time, in the big trade chains the payment system of 180 days substantially*

- reduces the working assets to the agriculture and makes the outflow of the finances from the agriculture to other economic sectors;*
3. Disinvestment, as a consequence of inadequate financing system and credit policy unadjusted to specific features of the agricultural production;
 - *As of 1994 the dominant investment resource was the agricultural budget. Lately the amount of assets in the agricultural budget records the tendency of relative and absolute reduction. The share of the agricultural budget in the national budget is reduced in the period 2004 – 2012 from 5.3 percent to 2.2 percent;*
 4. The shortage of reproduction materials needed, first and foremost, of mineral fertilizers and means for the crop protections;
 - *The consumption of complex fertilizers is reduced by 50 percent, and the nitrogen fertilizers by 35 percent observed in comparison to the mid of the 1980's.*
 5. The decrease of technical and technological level and extension of crop and livestock production, with the falling of the production per capacity unit;
 - *The agribusiness of Serbia is specific for its big diversity of agricultural households (an average size of a household is below three hectares), insufficient equipped with agricultural mechanization, which is technologically too old (an average age 25 years), the low usage of mineral fertilizers and extremely low productivity in all fields of production (an average yield of crop production amounts to 1.5 – 2.5 percent lower, while the productivity of livestock industry is lower by three to five times if compared to the certain EU states);*
 6. The reduction of the consumption of basic agricultural products in the country as the result of low purchasing power of the population contributes to the stagnation of agricultural production;
 - *In Serbia in 2010 an average consumption of meat and meat products per capita amounted to about 60,3 kilograms (total meat 39,6 kilograms out of which beef four kilograms, pork meat 16,9 kilograms, mutton meat 1,1 kilograms and poultry meat 16,6 kilograms), which is a minor quantity if compared with the certain EU countries. An annual consumption of meat per capita in the European Union amounts to 74,9 kilograms (Germany - 86,7 kilograms, France – 69,9 kilograms, Italy – 67 kilograms, Greece – 68,1 kilograms). The most dominant kinds of meat are pork with an average annual consumption of 41,3 kilograms. The consumption of milk (milk products excluded) of 60,3 liters per capita is lower than an average consumption in the EU where an average 82,5 liters (Germany – 64,1 liters, France – 70,2 liters, Greece – 65 liters). However, if the consumption of milk and milk products will be compared, the differences are huge. In Serbia an average annual consumption of milk and milk products is 83,6 liters, which is a minor quantity in comparison to the consumption in the EU (245 liters) and Germany (308 liters). In the consumption of fruit and vegetable (59,3 kilograms and 145,9 kilograms respectively) per capita, Serbia is lagging behind by two to three times in relation to an average consumption in the EU.*
 7. The limitations of goods funds and modest export growth of agricultural and food products (observed in comparison to real possibilities);
 - *Transition of agribusiness to the market business conditions is followed by certain development of foreign trade exchange. In 2008 the value of the agricultural and food products reached to the value of two billion dollars, the import value of 1,5 billion dollars and the trade surplus in the amount of 500 million dollars was achieved. In 2010 the export of the agricultural products was 2,24 billion dollars, the import 1,036 billion dollars and the surplus 1,205 billion dollars. In 2011 the export of the agricultural products from Serbia amounted to 2,7 billion dollars and the import was 1,4 billion dollars and the surplus was 1,3 billion dollars;*

Development directions and expected results

The main direction of the future development of agribusiness and food industry is optimal usage and keeping of available production capacities, the increase of the volume of agricultural production, the change of agricultural production structure, the production of high-final and high quality products. The goal of such development direction is to meet the domestic demand and to increase the export of high quality agricultural and food products. In that view the Government should adopt the concept of increase of production and export of agricultural and food products within the long-term National plan for agricultural production. The agricultural development in Serbia should be directed to the modernization and change of production structure towards higher market orientation and the improvement of total efficiency of agribusiness. The import of GMOs should be clearly defined on the packaging of a product with a view to inform a consumer. The commercial production of GMOs products in Serbia is prohibited in accordance to the Law.

Instead of the current 778.000 small agricultural households in Serbia, by 2020 there will be near 450.000 commercial households with an average size of around 20 hectares. The rest of them would be small households which will be organized in the forms of collective crafts. This production will be important too both for natural consumption and the market. In particular, it is necessary to define the programme of specific production of flower, young plants, vegetable, the poultry production (eggs and broilers), certain sorts of fruit, mushrooms and others. In the agricultural production structure the livestock breeding should play a dominant role, while the crop production should be based on the usage of genetic potential of newly created sorts of hybrids. In the rural areas it should be located near 35 – 40 percent of industrial activities relating to agribusiness, which would recruit a higher number of available labour force in those areas. The export-oriented production of high value food, beef meat, remedial plants, the breeding of vegetable, the rural tourism are the activities which could be carried out by 200.000 inhabitants by 2015.

Export capacity in agribusiness

According to the available capacity and possibilities of better usage of the results achieved by scientific and technological processes, the global market of agricultural and food products it is possible to produce enough quantities of good products for the food stability of the population, the strategic reserves and the export. The faster improvement of the export-oriented agricultural and food industry of Serbia requires the application of the concept of sustainable development of agribusiness, technical and technological modernization, the improvement of labour management and total organization of these activities, including the long-term and favourable measures of the agricultural policy. According to the results of the global researches, the achieved level of production and foreign trade exchange of agriculture and food industry as well as the projections of growth of the production of these products, the following products and potential markets could be determined:

Wheat – 500.000 tons with the orientation to the markets of Macedonia, Bosnia and Herzegovina, Iran, Algeria, Morocco and Egypt

Maize – near 1,5 – 2 million tons of mercantile and near 25.000 tons of seed maize. The possible markets are the EU countries, the Russian Federation, Ukraine, Bosnia and Herzegovina and Macedonia

Sugar – 250.000 tons with the orientation to the markets of the EU (preferential quota 180.000 tons), Macedonia, Bosnia and Herzegovina and Russian Federation

Sunflower oil – 100.000 tons. The market of the former Yugoslavian Republics, the EU countries and the Russian Federation

Tobacco and tobacco products – near 3 000 tons. The tobacco to the EU market, cigarettes to the Russian Federation

Calves and beef meat – near 20.000 tons to the EU market (preferential quotas 8.750 tons), Italy, Greece, Bosnia and Herzegovina, Macedonia, Russian Federation and Middle East countries.

Sheep – 3000 tons. Orientation to the markets of the Arabian countries and near African countries.

Mutton meat – 3000 tons. Orientation to the markets of Italy, Greece, Switzerland and Middle East countries.

Canned meat – near 30 000 tons with the orientation to the USA, the EU, Russian Federation and Ukraine

Fruit, vegetable and products – in the value of 700 million dollars with the orientation to the EU market (Germany, Austria, Italy, Great Britain) and Russian Federation

Wine – 30 000 tons with the orientation to the markets of Germany, the USA, Japan and Canada

Remedial plants and forest fruit – near 60 million dollars to the markets of the USA, Austria, Italy and Germany

By 2015 the increase of the volume and the change of the production structure of the agribusiness along with the adoption of the agricultural policy measures, particularly in the field of financing the foreign trade exchange could completely meet the domestic demand and realise more than three billion dollars of the foreign currency inflow thanks to the export. By 2020 the agribusiness in Serbia should meet the domestic demand on higher level and provide the foreign currency inflow of near six billion dollars, and by 2030 the inflow of ten billion dollars.

Agricultural production financing

The financing of the agricultural production is the most important issue of the agricultural policy, starting from the fact that none of the economic activities could have good performances if the issue of finances is not solved. Up to now the state has turned to be a decisive factor in the creation of monetary and credit measures and in the financing policy of the agribusiness. In addition to the budget assets allocated to the agribusiness, the agriculture should participate in total production investments with at the least 20 percent. The collective crafts have to be established in accordance with the principle saying that apart from a share invested there should be a guarantee for better security when it comes to the credit lines. It is necessary to pass the law on collective crafts.

The National programme of agricultural production should define the type of production, its volume, structure and quality taking into consideration the agricultural and production potentials on the regional level depending on the size of a household as well as the estimates of the demands on both domestic and international market. Since the amount of the assets in the agricultural budget records a relative and absolute decrease (participation of the agricultural budget in the national budget was reduced in the period 2004 – 2012 from 5.3 percent to 2.2 percent), it is suggested that in 2013 the share of the agricultural budget should be five percent of total value of the national budget, and this share should reach ten percent in the years to come. The assets for this purpose should be earmarked from the budget of the Republic of Serbia. With a view to increase total volume and quality of the primary

agricultural production, the change of the structure of total agricultural production, being defined by the National programme, it is needed to provide the premiums in money to producers for produced and supplied quantities of products.

The concept of the agricultural policy for 2013 should be based on the recovery of agribusiness defined by the National programme for agribusiness, its financial consolidation and affirmation of intensive production structure which should be realised through the support of the agricultural budget which in 2012 amounted to near 32 billion RSD and is only 2.4 percent of total budget of the republic of Serbia for 2012. The revision of the budget for 2012 envisages its increase of 10 billion RSD – to 42 billion RSD. In 2013 it is necessary to focus on the elaboration of the strategy for agribusiness and rural development by which of means the status of agribusiness need to be defined in a way which make it economically profitable, market-oriented and interesting to farmers and agricultural enterprises to deal with this activity for economic reasons, and let the authorities to deal with the social policy for the period of up to 10 years. The application of SAA, the access to the WTO, the realisation of the CEFTA and EFTA as well as the realisation of the National programme for the EU integration are priority aims of the Republic of Serbia. In addition, one of the main goals in 2013 must be a growth of agricultural production of at the least two percent.

Conclusion

The agricultural production is being carried out under the pressure of climate and other global changes followed with a dramatic increase of prices of food and petrol, in other words, the inflation in the development Western states. The hunger threatens to almost one billion people. It is obvious that the world does not have the strategy to fight these problems. On the other hand, Serbia should pass the strategy for development of agribusiness and prevent the increase of the prices, the inflation and import of food. The development of the agribusiness in Serbia should be directed to the modernization and change of the production structure leading to the market-orientated exportation and improvement of total efficiency of agribusiness. The production and technological pre-structuring and a growth of productivity as well as higher competitiveness on the domestic and global market must be based on ecological, energy and economic criteria. Serbia should become the area of traditional and conventional agricultural production. At the same time, the development of the scientific research and application of new knowledge and technology will enable a substantial increase of volume of the agricultural production. Therefore, the elaboration of the strategy for development of agribusiness and rural development of the Republic of Serbia by 2020 appears to be the main priority.

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