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Review article

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DEVELOPMENT PERSPECTIVES IN AGRICULTURE AND RURAL AREAS IN SERBIA IN THE EU INTEGRATION PROCESS

Miroslav Antevski, Pero Petrović, Dobrica Vesić[1]

Summary

The paper deals with two related issues that are important for Serbia's development: firstly, development prospects in agriculture and rural areas and, secondly, harmonization of rural development with the European integration process. The European Union market offers great export opportunities for the Serbian agriculture, the status of candidate country provide a number of benefits and support, but results will depend on success in improving two key determinants of competitiveness: productivity and quality.

The present situation in rural areas is a result of earlier industrialization and urbanization, on the one hand, and of the transition process on the other. Its main characteristics are: depopulation, ageing of rural population, unbalanced regional development, and income disparity.

Integral development of rural areas should be based on the following elements: multifunctional agriculture, diversification of economic activities in rural environment, rural and eco tourism, organic food production, small and medium-sized enterprises, and cooperation between small and medium producers. Such a development will lead to improved demographic, social, and income convergence.

Key words: *rural areas, agriculture, development, integration*

JEL: *F15, O13, Q01, R11*

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Introduction

Serbia's professional and political clique as well as a wide general public has long shared the idea of Serbia as being an agricultural country, i.e. they have strongly believed Serbia's greatest development prospects lie in agriculture. Is this view correct and sound or, perhaps, a result of de-industrialization and transition problems of the past two decades? If we keep in mind that the European integration process is ongoing and that the world is and will be facing problems of food and water scarcity, the question looks even more complex.

Depending on where we start from, it is possible to develop and make case for several opposing thesis. If we take a look at the current situation in agriculture, husbandry, and related activities and compare these to the European Union practices, we will register a high degree of backwardness in almost all aspects of production. "Dynamics of total agricultural production in Serbia in the last twenty years shows a marked cyclical instability, stagnation or very slow growth" (Milanović, Đorović, Stevanović, 2011: 322). From the perspective of potentials, the level of environment pollution, the speed of technological development, and availability of new knowledge, there are more reasons to be optimistic about the future.

At the moment there are about 4,800 villages in Serbia. An average age in most of them is around 60. Every fourth village in Serbia is disappearing. More than 200 villages have no population below 20 years of age. Since 1991 the number of farms has decreased by over 20%. Today there are about 40,000 empty houses across Serbia (and an equal number of emptied barns and pens). A half of these are in Vojvodina (Pejanović, Njegovan, 2009: 93). This statistics does not create optimism. It is obvious that a traditional way of working in rural areas is in decline for a long time. To have this trend reversed and existing resources exploited, it is necessary to develop and implement an integrated approach to rural development.

The paper explores several interrelated issues that should provide a clear answer about the development prospects of agriculture and rural areas of Serbia in the process of European integration. The first part offers basic characteristics of agriculture in the European Union, its condition, CAP, problems and perspectives, as well as the position of the candidate countries. The second part refers to the key directions to enhance the competitiveness of Serbian agriculture, and the use of the privileges of a candidate country. The third part represents the idea that agricultural development is an integral part of a strategy for sustainable development of rural areas.

Agriculture in the European Union and candidate countries

Since the very beginning of the integration, agriculture in the European Union has been one of the most important sectors. This was logical and expected as in the post-war Europe the most important task was to achieve self-sufficiency in food production, in addition to stabilization of coal and steel production. Another reason why agriculture

was given the highest the priority lay in the balance of powers within the framework of the newly instituted European integration; France had the political supremacy and it has remained the most powerful defender of interests in the agricultural sector (Antevski, 2008: 88). For these reasons, the Common Agricultural Policy - CAP has played an important role for decades; initially it accounted for about 70% of the common budget, then for a long period about 50%, while according to the current EU budget projections by 2013 it accounts for about one third. "Today's CAP reflects nearly half a century long changes in priorities" (Cvijanović, Simonović, Mihailović, 2011: 368). This is a common policy that has been most reformed, generally with no remarkable results because of the balance of conflicting national, sectoral, and group interests. It should be noted that apart from France, many other European Union members, old and new ones alike, have made use of considerable resources from the agricultural budget, upgrading agricultural activities to the highest degree possible. If we compare annual contributions of individual member states to the common budget with funds they have withdrawn from it, we will see that biggest donors have been biggest beneficiaries.

In a half a century long history of the European Union, agriculture and related activities have achieved remarkable results, both in terms of the scope and quality of production, application of scientific and technological knowledge, the level of exports, and preservation and development of rural areas, human, plant and animal health, and general environmental protection. All of this could have been achieved through strong protectionist measures against foreign competition and a variety of generous subsidies. The other side of the coin is a lack of international competitiveness of European agriculture – this is why numerous attempts at reforming the agricultural policy have been made. While it is true that other national agricultures are protected to some extent, it also seems correct to contend that protection of infant industries (agriculture or any other sector) makes sense if it is temporary and selective (Antevski, 2008: 17–18). Otherwise, it boils down to redistribution of common funds among certain interest groups in accordance with their current strength. According to some studies, the European Union market is not protected much more than other large markets, such as that of the United States. Nevertheless, these findings can be challenged only partially (Fontagné, Mayer, Zignago, 2005).

From the perspective of future European Union members (and with respect to development of their agricultural sectors), a large internal market ensures protection from third countries' competition to some extent but sets before them huge requirements. First and foremost, they must be met as part of the process of admission to the membership, and they refer to harmonization of all production, phytosanitary, health, and environment protection standards. As for productivity, there are no formal requirements and national agricultures of these countries should recognize its improvement as their own interest, a condition without the fulfillment of which they cannot survive on the single European market. The fact that the European agriculture is not the world leader does not pose a mitigating circumstance – on joining the EU, they will face stiff competition reflected in high quality and productivity. In fact, future EU members should search for models

to emulate and good practices to adopt at the global level. It goes without saying that such an activity is time-consuming.

The accession and the candidate period offer many chances for significantly improving the state of affairs in agriculture and enhancing rural development. The European Union has shown deep understanding and provided immense and comprehensive support through its policy of enlargement to east and southeast. Some new members take better advantage of these opportunities while others are not that efficient (the situation is similar with future members). However, it should be noted that accession requirements are almost identical for all countries; there is no discrimination. Whether the offered benefits will be reaped largely depends on the ability of national governments and economies. Effects are more positive the higher the level of understanding of the European integration process and the higher the degree of severity in its realization. Major problems countries in this group have in integrating into the European Union can generally be grouped under the following: immaturity and instability of young democracies, a still incomplete free market and its distortions, and, ultimately, incomplete transitional economic structures. Resolution of these problems and stabilization of the political and economic systems require a longer period than the transition one during which all countries experienced great changes. For these reasons, all these countries have a similar approach and the European Union is seen as the place of political and security stability, on the one hand, and as a source of capital in the European Funds, on the other. These two qualitative factors of integration are not debatable but it would be more correct and useful to view the European Union as a community of highly productive nations and companies that have reached the current level through several decades of hard and persistent work.

The European Union is not perfect but it is a rather beneficial environment for accelerated development of small open economies such as the Serbian and similar economies. The main prerequisite is to devise a clear development strategy harmonized with development objectives of the Union. The present and the future offer less protection for agricultural production than before, and declining levels of financial support. Still, it is substantial and sufficient although a low degree of comfort is provided to agricultural producers. Since the future of agricultural policy in the European Union is aimed at a higher level of compliance with harsh international competition, it will force future members to improve the competitiveness of their national agricultures. Such a development environment can be described as favorable.

The competitiveness of Serbia's agriculture and EU integration

Two basic conditions for the improvement of competitiveness of any sector including agriculture are productivity and quality. The degree of backwardness of Serbian producers is large but to rapidly narrow the gap is not unachievable.[2] This trend has long been evident

2 Only on 5% of arable land producers realize two sowings, primarily owing to good irrigation systems.

with a number of producers and manufacturers that use most modern methods (seed and planting materials, plant protection, irrigation, HACCP) and equipment. It is realistic to expect that this trend will be maintained and include ever more manufacturers. What can be regarded as a discouraging factor in the development of agriculture are still large and often unrealistic expectations of the state, on the one hand, and a lack of organization, on the other. The government policy can be objected on many grounds but it should also be appreciated and given credit to. Generally, this policy can be appraised as appropriate for the development period but deficient in funds. A good example of this policy that the government, in particular the Ministry of Agriculture, should be praised for is the recruitment of about 1,800 unemployed young agronomists throughout Serbia; the state would provide the salary of 400 EUR, cherishing a realistic expectation that at least a number of them will be employed in the local economy. The idea behind this government's initiative is to see young agronomists transfer their knowledge to local producers and thus help modernize production, making it closer to the world standards and raising its competitiveness. The greatest catch here is disorganization of producers themselves as no one else will do the job for them. A better situation in this regard is with buyers, manufacturers, and stockholders.

Serbia's progress in the integration process directly affects the expanding of development chances of agriculture, livestock, and fisheries (both in direct production and in the processing sector). The influence is multiple, and it is in the first place reflected in the harmonization of national legislation and standards with the European and their implementation, while the volume of financial assets withdrawn from accession funds on receiving the candidate status will be growing. Implementation of harmonized regulations and standards boosts the quality of the manufacturing process and the quality of products, makes them more compatible with market demands of the European Union, and facilitates the access to the European and other markets. A greater availability and amount of financial resources allow a relatively rapid modernization and equipment, application of the latest methods and tools, and adjustment of the production structure to the current and future demand. A direct outcome is the growth of quality and competitiveness in the long run.

Prospects for sustainable development of rural areas

Sustainable development was first officially defined in 1987, in the Brundtland Commission Report as "development that meets the needs of the present without compromising opportunities for future generations to meet their own needs" (Stojić-Karanović, Petrović, 2010: 97). If we shift our focus from environment to economy, we will infer that rural areas of Serbia have significant development potentials.

Agriculture has always been the main economic activity in rural areas, both in underdeveloped and developed countries. Serbia has no such natural or technological conditions as the ones large producing countries have, e.g. the U.S. or Argentina but within the European framework it can achieve remarkable output and export performance. Since agriculture long ceased to be the only the source of staple food

products, in modern times it is necessary to establish a stable and sustainable system of multifunctional agriculture that yields far-reaching and long-term effects.

There are plenty of examples of a reasonable and successful business orientation. Some are encouraged by the state, while most are the result of a group or an individual initiative. For a decade or so Serbia has been developing eco-friendly food production.[3] "In Serbia, some forms of organic production take place on about 6000 ha, and there is about 9000 ha in the transition process, adding up to only 0.3% of the arable land" (Cvijanović, Dozet, Mićanović, 2010: 50). These products have found their place on the national market, while the export is still in its early days. Vojvodina already boasts efficient production of raspberries (a type that best adapts to the climate there), most of which are successfully exported to the European Union. Furthermore, in the European Union there is no major growing of cranberry (a highly appreciated product in all markets). Early attempts at its growing in the Šumadija area should be encouraged. Similarly, the area of 25 hectares in the territory of Bela Palanka, between Stara Planina Mt. and Suva Planina Mt., is planted with lavender. Owing to remarkable climate features of the area and the influence of airflows from the Aegean Sea, lavender grown here is of special quality (of higher quality than the Dalmatian or French lavender). Around 95% of fruit is exported, mainly to the EU market, and there are no problems with product marketing. At the moment the extraction of lavender oil is done in Leskovac but it is expected that investors will raise their capacities for extraction and expand plantations in the future. There are many examples of top production processes that can be likened to the European (both in terms of productivity and quality of goods). Although organic food accounts for only 1% of total world food market, we should bear in mind that organic food production in developed countries like the U.S., France, and Japan is growing at the rate of 20%. The fact that is more important for Serbian producers and exporters is that the German organic food market is growing by 10% annually (Roljević, Hamović, Sarić, 2009: 104).

One of the very promising elements of rural development is production of electricity from solar and eolian sources, and construction of mini hydropower plants. Although this type of electricity production in Serbia is almost non-existent and there are no pertinent regulations, reasons for its integration into the rural development policy are very serious: first, favorable climatic conditions; second, low costs of the operation and maintenance of facilities; third, environmental considerations, as these are two absolutely purest forms of production; fourth, a significant contribution to balanced regional development, and, fifth, economic gains. A modern wind turbine for producing electricity, for example, is able to fully supply about 300 households. Bearing in mind the costs of construction and maintenance, their advantage as an additional form of production is undisputed as they are an inexhaustible and environment friendly source of renewable energy of unparalleled quality. Since zones of winds and the number of sunny days in our area are long known, it

3 Significant assistance was once offered by Canadian associations, examining, locating and attesting unpolluted areas suitable for such production.

is not difficult to compile the necessary technical documentation for construction of solar and eolian mini power plants and accompanying systems. According to a study conducted in the eighties, there are about 1,500 locations in Serbia convenient for the construction of mini hydro power plants; the latest figures suggest there are about 850 of them. In any case, it is certain that their number is between 800 and 1,000, which is a significant potential in spite of low power of mini hydro power plants. During the eighties a number of mini hydro power plants in Serbia was built, a few of which still operate. It would be useful to bear in mind a complex economic potential of mini hydro power plants, as they are, as a rule, located in the hilly and mountainous areas, on clean and unpolluted waters, and in undeveloped areas. Apart from electricity supply, these spots might be conducive to fish farming and tourism. Some examples from Eastern Serbia confirm the viability of this approach that could contribute to balanced regional development.

Energy issues will undoubtedly force Serbia to develop these two types of production but it is much better to make them integral parts of the energy, regional, and rural policy. Such an approach is compatible with the policies of the European Union that can accordingly provide technical and financial support. However, the state should support this development with its development funds and in collaboration with local communities and, perhaps, regional traders of electricity. Namely, the state should extend loans for the purchase of equipment and grant subsidies to the percentage common in Europe. Europe already has considerable experience in this domain, so all we have to do is to use it, making only some modifications.

It is not difficult to see how successful countries promote the development of their rural areas and take care of them. They strive to enhance rural tourism, eco tourism and the like (Štrbac, Hamović, 2011). It is also not hard to see that a number of promising development rural areas in Serbia lack in rudimentary infrastructure such as roads, railways, water supply, sewerage, and even electricity. Therefore, depopulation of rural regions does not come as a surprise. Local communities cannot provide these conditions on their own. This is the point where the state should act and leave marketing activities to the market. In addition, disorganization and a lack of professional knowledge are apparent with a group of manufacturers, particularly when it comes to export activities. Surprisingly, our raspberry producers consistently shift the blame for their problems to owners of cold storages, they demand subsidies from the state, and so far their associations have not made complexes of cold storages and formed export services at their own expense. They don't sell their products in the best marketing period at highest prices and to markets where they can provide long-term and stable placement. However, the encouraging fact is that raspberry producers in early 2012 sold most of this year's yield in advance to the European Union (Austria). Partial justification for this situation can be found in difficulties that the state and the economy have grappled with for the past two decades but there is no justification for not addressing many of the lingering problems. It is certain that rural areas in Serbia have significant and complex development potentials whose exploitation would yield marked economic, regional, population, and cultural results.

Conclusions

Depending on the time and the country, different development strategies may be developed. Nowadays, at the time of information and communication and with the tertiary sector dominating the economy, whether agriculture can be the engine of growth? Should rural regions base their future development on agriculture?

It is unwise to underestimate agriculture as it is older than all the existing states and nations. Nor is it smart to lag behind modern technologies and industries. Agriculture is no longer what it once was, and that is a fact, therefore the basis for a variety of economic activities is much wider. Much of the knowledge and experience of others are available free of charge. With this in mind, we can contend that rural areas in Serbia have significant development potentials owing to its geographical, climatic, and natural features. This is a necessary but not a sufficient condition.

Potentials should be tapped into. An integral development of rural areas should be based on the following elements: multifunctional agriculture, diversification of economic activities in rural environment, rural and eco tourism, organic food production, small and medium-sized enterprises, and cooperation between small and medium producers. Such a development will lead to improved demographic, social, and income convergence.

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RAZVOJNE PERSPEKTIVE POLJOPRIVREDE I RURALNIH PODRUČJA U SRBIJI U PROCESU EU INTEGRACIJE

Miroslav Antevski, Pero Petrović, Dobrica Vesić[4]

Rezime

Rad obrađuje dva povezana pitanja važna za razvoj Srbije: prvo, perspektive razvoja poljoprivrede i ruralnih područja, i drugo, usklađivanje ruralnog razvoja sa evropskim integracionim procesom. Tržište Evropske unije pruža velike izvozne šanse za srpsku poljoprivredu, status zemlje kandidata brojne pogodnosti i podršku, ali će rezultati zavisiti od uspeha u poboljšanju dve ključne odrednice konkurentnosti: produktivnosti i kvaliteta.

Sadašnje stanje u ruralnim oblastima je rezultat prethodne industrijalizacije i urbanizacije, sa jedne strane, i tranzicionog procesa, sa druge. Njegova glavna obeležja su: depopulacija, starenje ruralnog stanovništva, neujednačen regionalni razvoj i divergencija u dohocima.

Integralni razvoj ruralnih područja treba da bude zasnovan na sledećim elementima: multifunkcionalnoj poljoprivredi, diversifikaciji ekonomskih aktivnosti u ruralnom okruženju, ruralnom i eko turizmu, organskoj proizvodnji hrane, malim i srednjim preduzećima, i kooperacijama malih i srednjih proizvođača. Takav razvoj bi vodio ka poboljšanju demografske, društvene i konvergencije u dohocima.

Ključne reči: *ruralna područja, poljoprivreda, razvoj, integracija*

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