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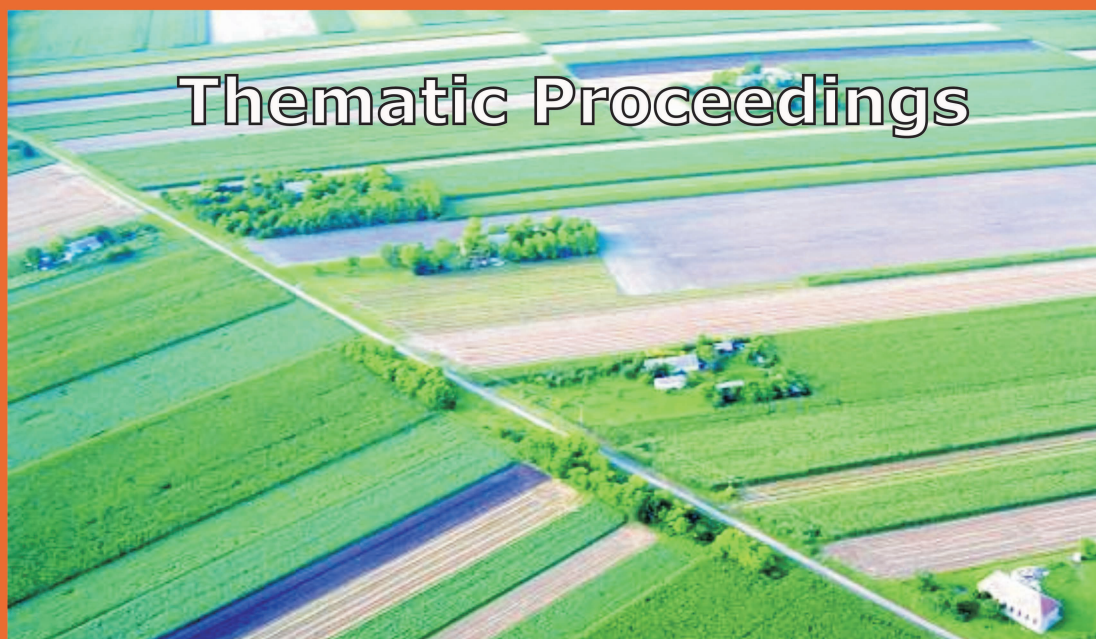
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THE AGROINDUSTRY OF THE REPUBLIC OF SERBIA AND EUROPEAN INTEGRATIONS

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THE PROCESS OF REFORMATION

European Union (EU) or better to say, its forecomer European Economic Community (EEC), were established with the idea that potential economic war in Europe could be prevented by means of free market and open boundaries. The cruel irony of it is in the fact that EU, in its different forms, had spent greater part of history leading economic war against other countries, especially developing countries. The main form which this war introduced is Common Agricultural Policies (CAP), anti-competitive combination of subventions with the aim of promoting European farmer. Introduced by means of establishing documents of EEC dating in 1957, CAP was the price paid by French President Charl de Gol for the French partnership. Since then, that price has been constantly growing and now it consumes almost half the annual budget which was 106 billion Euros in 2005. The greatest part of that money, 46% was spent on helping the farmers and 30% was given to the poor regions. But, there is another expense represented by the circle of global protectionism which is sustained by European Agricultural Politics. Common agrarian politics of the EU has its advantages as well as disadvantages.

The Republic of Serbia in its process of reformation towards the EU needs to provide food certainty as well as social and political stability of the country and the export which is the essential part of survival. Agriculture and villages play an extremely important part today in the overall economic development of Serbia, especially in the process of coordinating economic mechanisms for achieving certain social aims, above all, conducting the reforms and transition. In order for Serbia to become competitive with countries it aims towards, it has to use natural resources of 5,6 million ha (0,6 ha per inhabitant) of agricultural fields in Serbia in another way. Agro-industry represents the most important economic area in the Republic of Serbia, which, together with food industry, covers 40% in the creation of country production. This tells us that Serbia is an agrarian country.

The EU market is burdened with structural excess of food, which means that apart from so-called liberal market, the import is restricted of the products which are considered to be sufficiently present. The Republic of Serbia has potential not only

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for food sufficiency, but for the possibility of intentional production aimed at export of genetically not modified food. However, the inexistence of quality agrarian politics, food production in Serbia mostly depends on God's will and varies from year to year, from the decrease of 26% to the same value increase. For example, in 2006, when floods and fierce weather changes broke, Serbian gross increase of agrarian production was 0,9%. The value of its agricultural production in 2006 was 3,3 billion Euros, while the value of the amount of exported food was 1,3 billion dollars.

In the reformational process of adjusting to the market conditions of business, Serbian agriculture faces numerous problems. The level of technical and technological equipment of food industry in Serbia does not pose any limiting factor for the increase in agricultural production and its re-structuring within the process of increased production of industrial plants, fruit and vegetables... Relatively low level of capacity exploitation is constantly present, in overall industry of processing agrarian products as well as in its separate sectors. Oil refineries exploit about 60% of capacities, sugar and confectionary industry 40% each, abattoirs 35%, animal food industry 15%.

Available capacities in food industry in Serbia

Industry	Available capacities (in 000 tons)	The level of exploitation (in %)
Milling and bakery industry	1,600	52
Fruit and vegetables processing	1,000	38
Vegetable oil processing	445	57
Sugar production	700	40
Brewery (000 hl)	8,500	59
Tobacco industry	15	84
Meat processing industry	195	34
Dairy industry	10,917	35
Animal food production	3,250	15
Confectionary industry	260	40
Soft drinks industry (000 hl)	3,750	80

Source: Statistical Office of the Republic of Serbia

Long time and current problems of these industries are poorly exploited capacities, partly due to the lack of certain raw materials and high- quality management the consequences of which are inefficient business and weak competitiveness concerning export. Another characteristic is not equal equipment of the capacities within certain groupings. Some companies are on the top concerning technical and technological equipment and have highly qualified personnel, while the others are lagging behind modern technological and marketing demands. The level of technical and technological equipment of the food industry in Serbia does not pose any limiting factors in the growth of agricultural production and its restructuring in the process of production of industrial plants, fruit and vegetables. Relatively low level of capacities exploitation is constantly present, in the overall processing of agrarian products as well as in its separate sectors. Domestic market in Serbia today represents a limiting factor for rational exploitation of agro-ecological, productional and human resources in agriculture, for the increase in overall efficiency of the production, faster growth and sustainable development.

PRODUCTION IN SERBIA

In 2006, in the Republic of Serbia 1,8 million tons of wheat was produced which is 6,6% less than achieved production in 2005. This production was achieved in the least sowed areas in the last half of the century, at only 530,000 ha. If wheat was sown in Serbia at 700.000 ha annually, which should be done, we would have enough seed not only for domestic market but for the export as well. However, even that low production was enough to feed the inhabitants because one inhabitant in Serbia spends about 150 kg of wheat annually on average. Corn, as „yellow gold“ is in Serbia sown at 1,3 million ha and depending on the weather the harvest is about seven million tons per year. That is enough for the needs of the country, five million tons at most, supplies, and then about 1,5 million tons is left for export.

Concerning oil crops, the greatest part is taken by sunflower which is sown at more than 180,000 ha a year on average. In 2006, besides low yields per ha close to 400.000 tons of raw material was obtained. Concerning soya bean, it arrived in our country three decades ago and now takes 160,000 ha a year on average and in 2006, the yield was 426,000 tons. From these two oil plants, more than 100.000 tons of raw oil was obtained. Sugar beet is a traditional crop in Serbia and covers more than 70,000 ha. In 2006, the average yield was 44 tons per ha and 3,2 million tons of „sweet root“ was obtained which was used to produce 400,000 tons of sugar. In 2006, 930,305 tons of potato was produced which is sown at 85,000 ha so farmers this year do not know what to do with the potatoes which used to be exported in Romania and Bulgaria, but cannot do that any longer since they do not fulfil the demands presented by EU.

The science in Serbia has created more than 1,500 varieties and hybrids of grains and many other cultivars, out of which 300 is worldwide accepted and is sown at six million ha in 25 countries. Low prices for buying the produced grains is demotivating for the producers, about 778,000 of them who do not sow high-quality seed and thus obtain low yields. At the same time, in extensive productional conditions, genetic potentials are not fully used at about only 30- 40%. At the same time, the Republic of Serbia is very low within the world countries concerning the usage of mineral fertilisers because only 40 kg per ha is used. Wheat and corn, as the purest ecological varieties (the least damaged with chemicals) are strategic products, with ecological and economic importance concerning the crop rotation which should continue to be simulated. Those areas should be kept, but we should also turn to intensive production of mostly vegetables because Serbia has great natural conditions for that.

The Republic of Serbia has considerable vegetables production and even high excesses. In 2006, 930,305 tons of potato was produced, 68,074 tons of carrots, 54,585 tons of beans, 36,502 tons of peas, 140,318 tons of onions, 177,255 tons of pepper, 189,222 tons of tomatoes, 660,709 tons of cucumbers, 324,657 tons of cabbage and Brussels sprouts and 251,000 quinces and watermelons. When talking about fruit there are considerable market excesses. The best evidence for that is the fact that in 2006 the production of apples of 240,000 tons, pears 57,717, plums 556,000 tons, peaches 59,100 tons, apricots 21,900 tons, sweet cherries 23,300 tons, walnuts 23,750 tons, strawberries 35,450 tons and raspberries 80,000 tons.

Besides having extremely favourable natural conditions in the last decade and a half, the number of cattle has decreased in Serbia at the rate of two to three percents. The estimate is that we have only about 800,000 herdsmates in the fattening and almost three million feeders. There is not enough cattle so we fulfil only 10-15% of the approved cattle export quota in EU of 10,000 tons. In order to achieve the quota, instead of today's 15,000 herdsmates in the cattle, there should be at least 100,000 herdsmates in the stables. The conditions exist, because about 40,000 stables are empty. Serbia should there seek its chance, because in the following decades, EU would lack 600,000 tons of cattle a year! At the same time, the number of feeders is growing, thus this year we have over several hundreds of pigs excess. The price has fallen down to half a euro per kg and at the same time the price of corn has grown because it is being used for processing and production of bioethanol apart from being used for animal feeding. The total annual production of meat in Serbia, for the last decade and a half has fallen from 650,000 to 450,000 tons a year. At the same time, the consumption has fallen from 65 to 36 kg a year per inhabitant. The amount of that is best seen in comparison with other countries: in EU to 86,7 kg, Slovenia 92,2 kg, Bulgaria 62,3, Slovakia 65,7, Poland 73,3, the Czech Republic 73,3 kg a year. In overall cattle production, cattle

breeding covers 42%. The downfall of the production is a consequence of badly managed agrarian politics in the last decade and a half.

Agriculture is the only economic branch in Serbia which makes commercial surplus in commercial exchange with the world. For example, in 2005, the amount of exported products was 924,5 million dollars, and the import was 772,4 million dollars so the surplus was 151,9 million dollars. In 2006, the export was 1,265,5 million dollars, and the export was 905,5 million dollars so the surplus was 360 million dollars. The greatest part of the export covering 62,25% was the selling of agricultural and food products into Former Yugoslav Republics, so in the following period the export should be directed towards the markets of EU countries, as well as towards the countries of the third world where we have the greatest chances for successful promotion of our products.

LIMITATIONS, ADVANTAGES AND WEAKNESSES

On its way to EU, Serbia needs to develop the policy of production the goods which would enable us to create brands. This means healthy food, ecologically clear. Brands should be promoted, such as: Serbian raspberry, beef, slivovitza, kajmak, ham, kulen, tobacco, graves, wine, burek... These products will cost 30% more, but also very competitive on the market of all the countries not only in EU. However, at this moment, essential limiting factors for more efficient appearance on the international market are: poor variety of food products, neglected research for more efficient exploitation of existing capacities, varying in the quality of market products, slow adaptation to market criteria, package which is not of high quality, inexistent long term contracts between food industry and raw materials producers as well as inexistence of organizational and economic relations based on cooperative principles, lack of economic and marketing connection between agrarian and other industries.

In order for Serbian agrar to recover and join EU, agrarian politics needs to include long term concept with full appreciation of strategic aims and developing priorities based on them. Because, it is strategic field which makes 40% of country product, and fifth part of the export is represented by agricultural products. In order for dreams to become true, infrastructure for agriculture is necessary as well as national strategy of its development. The importance of that lies in the fact that more than ten thousand legal procedures which Serbia needs to proclaim on its way to EU, 40% refers to agrar.

All that done, Serbia can manage to double the food production which means that its value is near seven billion Euros, as well as that the export from today's 1,3 billion dollars could be increased to two billion dollars a year by 2012. If the increase in the agrarian production should continue at the same rate which is 5% a year, by 2020 the export would be worth six and by 2030 ten billion dollars.

With new agrarian policy we could annually export:

Quantity in tons

WHEAT	500,000
CORN	1,000,000
MEAT AND PROCESSED PRODUCTS	150,000
OIL	50,000
SUGAR	150,000
FRUIT, VEGETABLES AND PROCESSED PRODUCTS	250,000

Other products:

Dollar value

WINE AND ALCOHOLIC BEVERAGE	For about 30 million dollars
TOBACCO AND CIGARETTES	For about 15 million dollars
MEDICAL PLANTS AND FOREST FRUIT	For about 20 million dollars
SEED AND SEEDING MATERIAL	For about 25 million dollars

On our way to EU, we need to bear in mind that basic criteria for acceptance are: stable democracy, respecting human rights, respecting legal country and the rights of smaller groups, efficient market economy and the acceptance of European legal matters! When we become equal member of EU, we will have easier access to its Funds.

CONCLUSION

Agriculture in Serbia is again at the beginning and at the crossroads which way to follow? Because with each change in power, new strategies were created the life of which lasted until new elections! In the world, the strategy is created and applied from three to five decades! Serbia is now in the middle of that painful process of transition in which is needs to incorporate the legal procedures of EU into domestic law and in all of that specific demands need to be incorporated as well. Special attention should be paid to increase in productivity, competitiveness and education of farmers.

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