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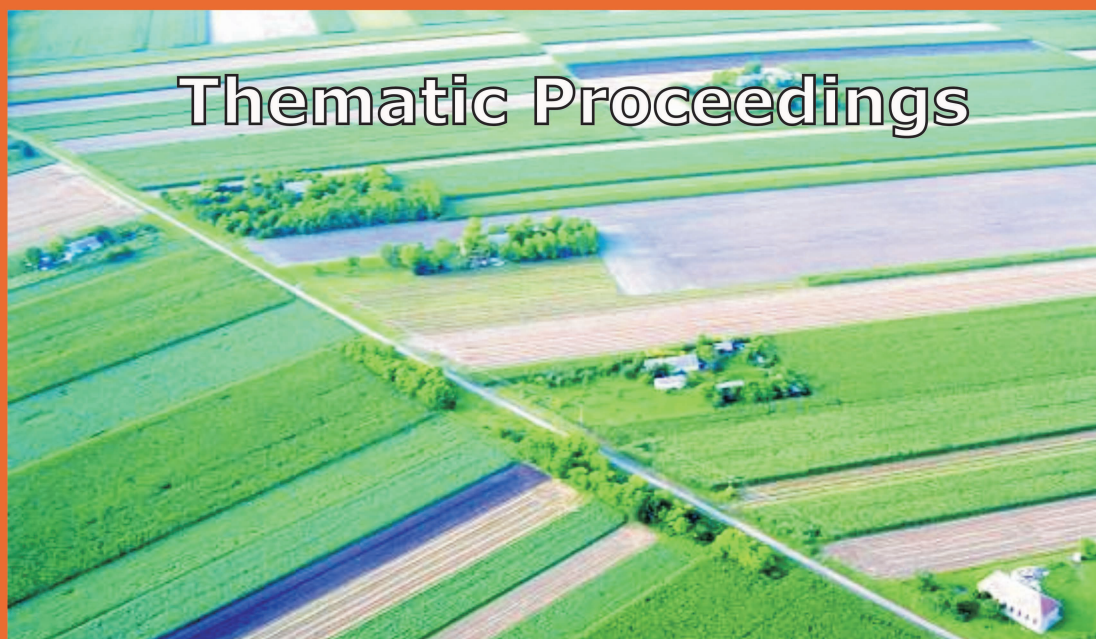
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European Association  
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# DEVELOPMENT OF AGRICULTURE AND RURAL AREAS IN CENTRAL AND EASTERN EUROPE



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## THE ROLE OF THE AUTONOMOUS PROVINCE OF VOJVODINA DEVELOPMENT FUND

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### 1. INTRODUCTION

Providing sufficient quantity of food in the world is big problem today. The basic roles of agriculture are food production and maintenance of environment. Inferior quality of food and ecological degradation are the main reasons for development of organic production. Fertile soils, favourable climatic conditions and water resources are the main potentials in Vojvodina. However, according to *Mandić and collaborators*, (2001), practicability of basic goals for development of agriculture in Vojvodina is not possible without suitable measures of agrarian policy: agrarian financing, balance of agricultural food production, stimulate and subvention of exports, system and policy of prices, tax, investment, land policy, credit-currency, custom policy and import control policy. Also, successful realization of the Agrarian program in all his objects (plant production and animal husbandry, food processing, export, services and other) and development of SMEs outwardly agricultural activity would solve many serious problems of villages and accelerate his development. Agricultural activity is not only one and dominant characteristic of village. „Credit is first measure of state economic policy in agriculture, because with combination of high interest, terms of partial payment, level of own means, forms of guarantee and purpose, government by itself or with banks determines purpose of credit as instrument of agrarian policy. Credit could be used for agricultural development and accelerated development of some of agricultural production branches:

- a) preservation or altering of sowing structure;
- b) introduction of new technologies and techniques in agriculture;
- c) increasing of certain assortment and quality products production;
- d) increasing of soil fertility;
- e) disposition of unsuccessfulness in agricultural production courses by elementary bad weather and world food market distortions, etc.  
([www.poljoprivreda.info](http://www.poljoprivreda.info))

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The main finance sources of the Fund are means from: a) sold subjects in privatization process according to the Law on privatization; b) budget of AP Vojvodina c) trade of value papers; d) domestic and foreign credits and advances; e) annuities from investments of credits; g) international financial organizations, financial institutions, donations; f) donations from foreign states for realization of regional development programs.

## **2. REALIZED CREDITS OF THE FUND FOR FINANCING DEVELOPING PROGRAMS**

Investments in development of agriculture, food processing industry and enterprises are in the function of accelerated rural development. Rural development means interactions between agriculture and other activities. On that way, young people in villages and unemployed people in towns have possibility to work in other activities: trade, services, manual occupation, processing... Increasing of awareness about rural life value is necessary. It would prevent abandonment of villages and safe cultural legacies, tradition and environment. Rural tourism is more and more popular. Some farms in Vojvodina are example for this. Those farms are proof how with necessary innovations, tradition can be present on new way. Today, farms are competitive in tourism. Also, one of priority will be strengthening of families commercial farms. In order to enable villages to get main characteristics of towns it is necessary to invest in main infrastructure - roads, educational, cultural and medical institutions. The basic objectives are to promote agricultural production and attractive life in villages. The total credits that the Fund realised increased for 54.78 % over the period 2002-2006. Realised credits in 2006 have been for 27,692,175 EUR more than in 2002 (4,089,600 EUR). Realized credits for long term development programs investment increased for 36.67%. For agricultural farms financing is realized 2,529,024 EUR in 2006. The main criteria for the Fund means assignment are:

- a) economic justification of project;
- b) usage of domestic resources;
- c) engage more workers;
- d) environmental protection;
- e) evenness of regional development;
- f) available means in banks should be higher than requested means from the Fund.

Share of credits for long term development programs investment in total realized credits of the Fund is 57.03% over the period 2002-2006. Share of investment in individual agricultural producers in total credits for long term development programs was 15.74%, followed by investments in farmers' cooperatives with 5.82% (*Table 1*).

Table 1 Classification of holders for long term investment of development programs (2002-2006)

TITLE	NUMBER OF HOLDERS	VALUE OF CREDITS (000) EUR	STRUCTURE %
Individual agricultural producers	867	10.890,4	15,74
Farmers cooperatives	30	4.009,2	5,82
Private business	642	9.032,6	13,14
Small enterprises	384	23.016,4	33,34
Medium enterprises	95	16.567,5	23,11
Big enterprises	13	3.326,0	4,83
Local administration	17	825,1	1,20
Public communal enterprises	41	1.946,1	2,82
TOTAL:	2089	69.613,3	100

Source: AUTONOMOUS PROVINCE VOJVODINA DEVELOPMENT FUND'S DATA

The main goals of long continuance credits for start-up programs in Vojvodina are to: a) solve problems of unemployment; b) stimulate economic activities; c) increase effectiveness and efficiency of economic subjects in business. Unemployed people received start-up credits for following projects: processing of agricultural products, tourism, softver development, consulting, engineering and laboratories services (as logistical support for economic subjects), manufacture and production services. Realized credits for long continuance credits for start-up programs registered increase for 31.24%. The total value of realised start-up credits was 5,709,272 EUR over the period 2002-2006. The share of those credits in total realized credits of the Fund was 5.08%. The main criteria for start-up credits assignment are: a) higher participation of own means in total value of investment; b) period of unemployment; c) age; d) gender policy; e) number of new workers; f) number of unemployed persons in family; g) local community development. „It is necessary to more stimulate export programs with appropriate policy on the base of real financing sources. The planning programs should be based on consumers needs and demands assessment in foreign countries.“ (*Mandić and collaborators, 2001*)

Table 2 Holders classification of short-term credits

TITLE	NUMBER OF HOLDERS	VALUE OF CREDITS (000) EUR	STRUCTURE %
Farmers cooperatives	133	4.764,5	12.53
Small enterprises	158	10.423,9	26.74
Medium enterprises	204	13.769,9	35.14
Big enterprises	55	9.959,4	25.59
TOTAL:	55	38.917,7	100

Source: AUTONOMOUS PROVINCE VOJVODINA DEVELOPMENT FUND'S DATA

The total value of short-term credits for export financing was 1,7403,956 EUR over the period 2002-2006. The share of those credits in total credits of the Fund was 15.47%. Short-term credits for exports financing was for 6,370,252 EUR more in 2006 than in 2002 (1,498,285 EUR). According to *Milanović*, (2002) agrarian export results at foreign markets present real economic and technical & technological performances of national economy. The basic goals of financing are support in the preparation and realization of export. Means for exports financing could be used by economic subjects in Vojvodina. Activities of firms are production and sale of domestic products at foreign markets. Agricultural enterprises in Vojvodina are not competitive at international market because of manpower surpluses and outdated technologies. Also, many enterprises have not quality and environmental management systems. The share of investment in medium enterprises in total realized short-term credits of the Fund was 35.14%, followed by investments in small enterprises with 26.74% (*Table 2*). „Privately owned small and medium size agricultural enterprises in the villages have many advantages than big enterprises. The main advantages are: privately property, simple form of organization and maximal profit with minimal investments“ (*Milanović*, 2004). Credit means for development of small and medium size enterprises in 2007 will be given for:

- increase of technical & technological outfit;
- development of new technologies;
- exchange of technological knowledge and commercialization patents and innovations;
- optimal usage of comparative advantages in Vojvodina;
- introducing of environmental management systems.

The main goals of investment are: a) increasing of employment; b) increasing of competitiveness; c) improvement of pay-balance position through new markets; d) increasing of export and import substitution; e) organizational and technological

restructuring; f) increasing of innovations; g) introducing of quality management systems; h) seeking alternative energy solutions; i) usage of raw materials.

The share of individual agricultural producers in total realized credits is 9.69% (10,902,258 EUR), followed by retailers with 8.20%, farmers cooperatives 7.80% (8,773,680 EUR), public communal enterprises 1.74% and municipalities 0.73%. Credit means for development of business will be given in 2007 for: a) new business; b) increasing of manufacture; c) social services. „Inequality is one of important characteristics of agricultural development. It is result of different nature and production conditions“. (Tomić, 2004) According to decision about defining undeveloped and less developed municipalities in Vojvodina, the following requests are registered: a) undeveloped municipalities had 16 requests (13 approved) and their share in total approved amount was about 7%; b) less developed municipalities had 32 requests (30 approved), and their share was 13.80%; c) developed municipalities had 211 requests (187 approved) and their share was 79.20%. In majority of villages there were no enough vitality (people or/and knowledge) to start any development.

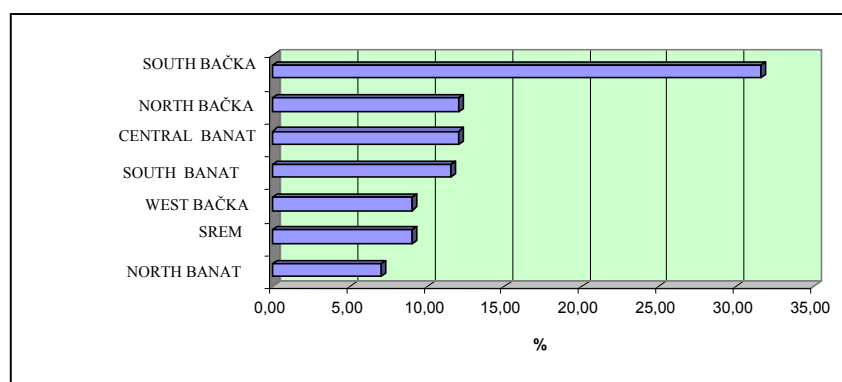


Figure 1 Realized credits in districts (2002-2006)

Source: Analysis by authors on the base of the Fund's data

The share of investment in South bačka district in total realized credits of the Fund was 41.77%, followed by investments in North bačka district with 26.74% (Figure 1) Districts are quite similar in Vojvodina, but every one has his own characteristics. The quality of development plans depends of acceptance of district's characteristics. The main activities of the Fund in 2007 are: a) agricultural and food processing industry; b) development of small and medium size enterprises; c) business development; d) evenness regional development.

### 3. REALIZED CREDITS OF THE FUND FOR FINANSING OF AGRICULTURE

The share of investments in agricultural sector in total realized credits was 44.11%, following by investments in processing and production with 31.70%. „Agricultural with food processing industry are the most important part of economy in Vojvodina. Those two sectors of economy make about 40% of gross product in Vojvodina“. (*Mandić and collaborators, 2001*)

Table 3 Investment in sectors and branches  
of agriculture over the period 2002-2006

INVESTMENTS IN SECTORS			INVESTMENTS IN BRANCHES OF AGRICULTURE		
Sector	Value (000) EUR	Structure %	Branch	Value (000) EUR	Structure %
Agriculture	701.768,9	44.11	Crop production	222.490,0	31.70
Industry	504.320,2	31.70	Animal husbandry	227.892,0	32.47
Traffic	80.851,2	5.08	Fruit growing	109.632,9	15.62
Construction	75.264,0	4.73	Viticulture	60.000,0	8.55
Tourism	112.672,4	7.08	Truck farming	27.120,0	3.86
Trade	24.474,5	1.54	Poultry	37.134,0	5.29
Services	91.713,0	5.76	Fishery	17.500,0	2.49
Total:	1.591.064,2	100	Total:	701.768,9	100

Source: AUTONOMOUS PROVINCE VOJVODINA DEVELOPMENT FUND'S DATA

Credits for investments in agriculture and food processing industry will be given in 2007 for: a) modernization of agricultural production; b) development of fruit growing and viticulture; c) development of animal husbandry and fishery; d) development of truck farming; e) introducing of quality management systems; f) increasing of food processing industry capacities. „Agricultural development is very important for everyone and every country in the world.“ (*Tomić, 2004*) Share of investments in animal husbandry was 32.47%, followed by crop production (31.70%), fruit growing (15.62%), viticulture (8.55%), poultry (5.29%), truck farming (3.86%) and fishery (2.49%) (*Table 3*). The basic goals of investments to fruit growing and viticulture development in 2007 are: a) increasing of economic activities; b) varieties improvement; c) increasing of fruit and vegetable production; d) increase of export; e) increasing of employment; f) substitute of import; g) environmental protection; h) increasing of effectiveness in agriculture. The basic goals of credits for long-term development programs investment in agriculture in 2007 are: a) increasing of economic activities; b) increasing of



technical outfit; c) better usage of existing capacities; d) increasing of export; e) increasing of employment; f) saving of energy; g) substitute of import; h) environmental protection; h) increasing of effectiveness in agriculture, according to the Programme of public economy development in Vojvodina. Investments in agriculture can be given for: a) supply of mechanization and equipment; b) reconstruction of systems for irrigation; c) increasing of capacities for primary agricultural products; d) realization of programs for healthy food production. The share of investments in food products was 37.92% in total investments for processing and production (*Figure 2*). Credits for short term financing of agriculture are realized in total value of 22,413,853 EUR over the period 2002-2006 and registered increase of 23.74%. The share of these credits in total realized credits of the Fund was 19.93%.

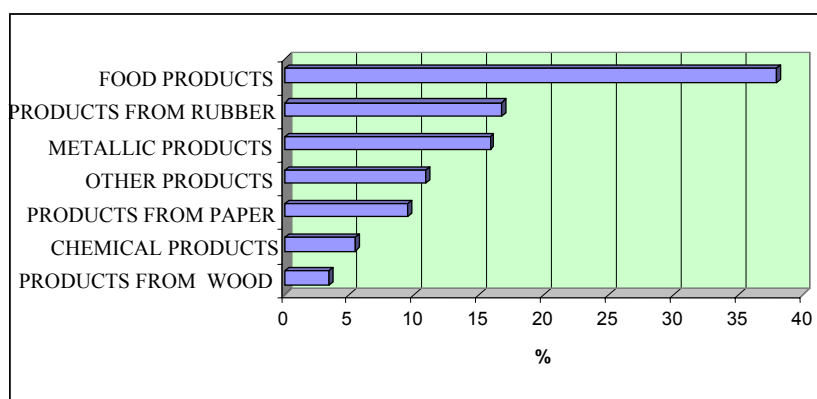


Figure 2 Investments in processing and production sectors

Source: Analysis by authors on the base of the Fund's data

„Credits of banks are unfavourable and not payable. Increasing of the Vojvodina development Fund and Agricultural development Fund are the most real based on Republic budget (50%) and means from sold property of agricultural and processing business.“ ([www.poljoprivreda.info](http://www.poljoprivreda.info)).

#### 4. CONCLUSION

The basic goals of Vojvodina development Fund are improvement of conditions for total development and quality life in rural areas. Total realized credits of the Fund increased for 54.78% over the period 2002-2006. Short-term credits for exports financing increased for 129.17% followed by credits for long development programs investments (increased for 36.67%) and long continuance credits for start-up

programs (increased for 31.24%). Cooperation between all participants who are important for rural development, have to promote good experiences from foreign countries. Realized credits for short financing of agriculture registered increase of 23.74%. The share of investments in agriculture sector in total realized credits of the Fund was 44.11%, followed by investments in processing production with 31.70%.

Each district in Vojvodina should have advisors who would help potential loan applicants to make business plans according to existent development district plans. Pre-condition for development and investments justification is cooperation among all institutions in charge. For already approved credits it is necessary to introduce monitoring, control of fixed costs, effect analysis and to suggest improvement measures.

The share of investments in animal husbandry was 32.47% in total credits structure, followed by crop production (31.70%). Investments in fruit growing (15.62%) and viticulture (8.55%) declined in analysed period. The Fund is going to invest in fruit growing and viticulture development in 2007. The share of food products in total investment for processing and production was 37.92%, followed by rubber products. In rural development policy is necessary to improve organic production and manufacture, to develop rural tourism and to find a market for hand made products... In addition, experts for environmental protection, economics, tourism etc., could provide quality of business plans and projects.

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