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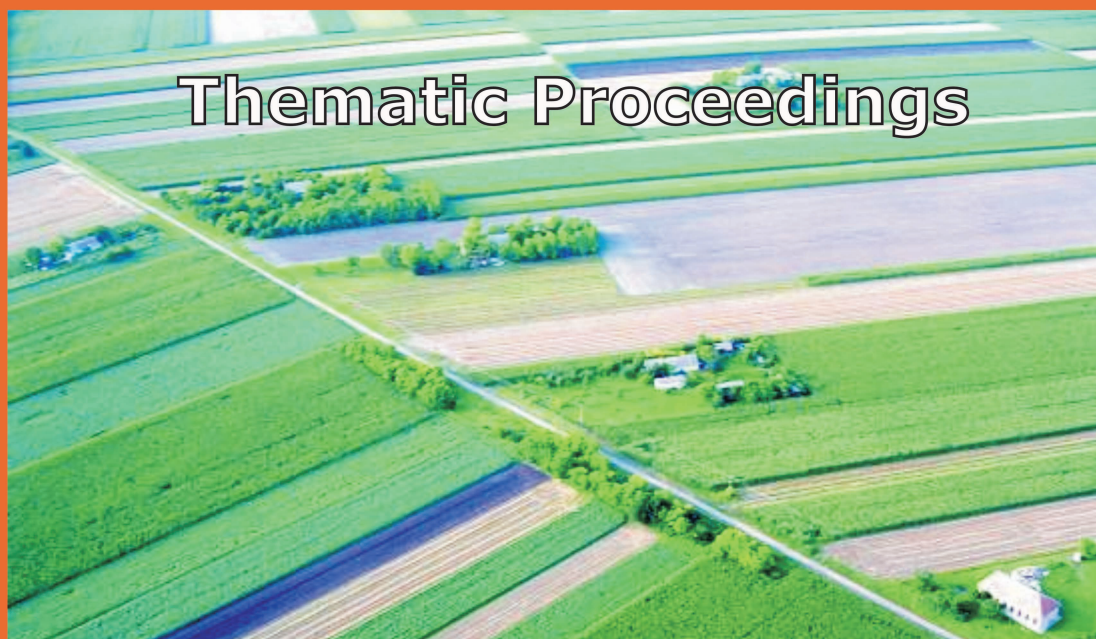
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EXPORT GROWTH OF AGRICULTURAL PRODUCTS AS FACTOR OF AGRICULTURAL AND RURAL DEVELOPMENT IN SERBIA

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INTRODUCTORY NOTES

Production of food, food safety of a country, production of raw materials (as inputs for other sectors), foreign trade, social, demographic and other aspects are determining, among others, the multiplied significance of agriculture for socio economic development of the Republic of Serbia. Agricultural activity, in relation to the available significant natural and human resources and attained level of production and processing, is one of the most important economic activities in Serbia. The share of primary agriculture in GDP of the Republic of Serbia in 2000-2006 varied from 13-15%. However, if we view the overall contribution of agriculture to the remaining sectors of economy, food processing industry and producers and manufacturers of inputs and raw materials, its share in total GDP is more than 40%. Besides, about 42% of population of Serbia is living in rural areas (with density of less than 150 inhabitants/km). All these tell us of the importance of agriculture for stable overall economic and social development, for permanent safety in food, social and political stability.

Extensive agricultural production and dependence on climate conditions contribute to big oscillations in scope of production realization. Thus, in past years, varieties of GDP growth rates in agriculture were recorded: in 2001 – 17.4%; in 2002 – 3.2%; in 2003 -7.0%; in 2004 – 19%; in 2005 - 4.9% and in 2006 – 1.6%.

Serbian agriculture is characterized by small agricultural estates and their small plots (at average less than 3ha and 7 plots), equipped with rather good agricultural machinery, which is, however, technologically outdated (above 20 years old, at average), small application of fertilizers and very small productivity in all fields of production (average yields smaller from that in EU). In the mentioned conditions, agriculture needs appropriate policy, as an integral part of overall Serbian development policy, with the aim to: successful facing with the intensified competition; attaining the level of productivity that could guarantee normal income to working population in agriculture, as well as for achieving competitiveness in related sectors.

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With the available 5,1 million of agricultural land, moderate continental climate and water resources, the Republic of Serbia has enormous potentials for agricultural sector, which has not been fully used. However, with appropriate agricultural policy, agriculture can give significant contribution to the economic development of the country. Directly, or indirectly (in other sectors of industry), agriculture engages significant number of economically active population, its share in foreign trade is significant (the share of agriculture in total foreign is about 13%, whereas in Serbian export, its share goes to 30%), provides for safety in food for population, and contributes to rural development and ecological balance.

MAIN ELEMENTS OF AGRICULTURAL POLICY

Main problems Serbian agriculture is faced with are result of restrictions created in the conditions of centralized planning, difficulties in the development in the passed 15 years and difficulties in adapting to the market economy.

Bearing in mind that agriculture is burdened with consequences of centrally planned economy, in particularly concerning the ownership title and the use of land, it is necessary to create a policy that will contribute to enhanced productivity, production restructuring, with significant investments, which means efficient land market building, loans and inputs.

The lack of clear visions in agricultural sector conditioned the agricultural policy inherited from the previous period, which does not contribute to significant structural changes. Changes in agricultural policy should be reflected in the re-direction of resources from direct market support (subsidies for agricultural products) to investments and rural development support. Besides, changes in terms of re-directing budget resources from large agricultural entities (enterprises, cooperatives and agricultural combines) to family commercial estates. The aim of such changes is the enhancement of competitiveness.

Agricultural budget represents somewhat less than 5% of national budget. With such modest resources, the efforts are made to develop local production, increase competitiveness at local and foreign market, build institutions necessary for functioning of basic agricultural entities and establish compatibility of domestic production and processing with EU standards. Financing of agriculture with budget resources is made in two ways:

- First represents the production oriented subsidies directed to certain plant cultures or specific livestock, and
- Second, non-productive subsidies related to incentives for agricultural production as a whole.

Export subsidies are still an instrument for financing the agriculture, i.e. export incentives, and their amount is rather small (it represents 2.5% of agricultural budget), and they are applied to a restricted number of products.

FOREIGN TRADE, MARKET AND REGIME

Transition of agriculture to market conditions is followed by significant development of trade. Liberalization process produced trade concessions that enabled enhancing of trade. Starting from 2000, Serbia has a preferential treatment with EU market – its biggest foreign trade partner. Agricultural and food products from Serbia are exported to EU with no customs duties (except for baby beef, sugar and vine for which there are quotas, meaning that they are exported with no customs duties for quantities determined by quotas). Simultaneously, since the import of products from EU is viewed as the import from third countries – with no customs facilities – it contributes to the realization of positive foreign trade balance between Serbia and EU. Surplus in trade has a growing trend from year to year, thus it has been increased from 138 million USD in 2005 to 216 million USD in 2006, and the share of EU in total export of agricultural and food products have reached 53%.

Republic of Serbia has signed the Free Trade Agreement with 8 countries of Western Balkan (CEFTA). These markets are the second export destination for agricultural and food products. In 2006 the share of these groups of countries in Serbian export of agricultural and food products reached 48.6%, with significant surplus in trade of 393 million USD.

Favourable trends realized in the last years in foreign trade of agricultural and food products are the result of the existing trade arrangements with foreign trade partners (EU and CEFTA) and rather high customs protection for these groups of goods – 21.2%. Customs tariff for agricultural and food products have 2527 tariff headings. All instruments of customs protection are included: *ad valorem* customs, seasonal customs and special duties – levies. Integration processes of Serbia contribute to further liberalization and represent a good opportunity for creation of adequate and functional customs protection, which will have, in addition to protection mechanisms, a stimulate competition promotion.

Before starting the transition process, Serbian foreign trade in agricultural and food products was characterized by average export value of 400 million USD, with share in total country export of up to 25%, average value of export of 460 million USD, and with the share in country's total import in goods of 10%. In the said period, realized results of foreign trade in agricultural and food products are characterized by deficit of 60 million USD, with the export-import coverage rate of 87%.

In transitional period, with the continual export growth, in spite of very stable imports, trade balance is continually improving. The afore mentioned trend in trade in agricultural and food products continued in 2006. Serbian foreign trade balance for agricultural and food products in 2006 indicate that the value of realized export was 1.265,4 million USD, thus recording a growth of 18.2% when compared to the results in 2005, and the share in county's total export of 19.7% (See table 1). Assessments indicate that the share of agriculture and food industry export in GDP is about 30%. Surplus in foreign trade in agricultural and food products in 2006 amounts to 360,2 million USD, with export-import coverage rate of 139.8%. These indicators of dynamic changes in the foreign trade in agricultural and food products for these two years are based on data which include Montenegro as well.

REGIONAL DEVELOPMENT AND AGRICULTURE

Problems of regional development of the Republic of Serbia are concerned with the disproportional level of different areas development, underdevelopment of large number of municipalities, structural incompatibility, institutional problems, unfavourable demographic trends and numerous material restrictions. Regional discrepancies in the degree of development in the Republic, measured by realized national income per inhabitant (excluding the District of Belgrade) are the biggest in Europe, and they are increasing every year. The ration between the most developed and the least developed municipality in 2000 was 1:19 and in 2005 it has increased to 1: 27 (Source: Republican statistical Office, Municipalities in Serbia, 2006).

The existing regional discrepancies between the developed North and undeveloped South Serbia could be seen from the following data: (1) District of Belgrade with 21% of total population (4% of territory) employs 29.7% of economically active population and its share in national per capita income of the Republic is 33.7%; (2) The least developed areas in Serbia encompasses Toplica, Jablanica and Pčinja District (23 municipalities in total, or 11% of territory) and is inhabited by 10.8% of total population of Serbia. The share of these tree counties in national per capita income is 4.6%. These counties employ 7.9% of total employed population in Serbia.

In the economic structure of Serbia, two types of regions can be clearly differentiated: urban-industrial and agricultural-rural. Problems of unequal development are the result of unequal special distribution of economic and social infrastructure. Decreased number of inhabitants, low level of inhabitants' education, smaller flexibility of labour, and distance from market (for inputs and products) places, put the economic entities in rural areas in unfavourable position.

The afore mentioned trends in traditionally rural areas, with dominating agricultural production, do not contribute to enhancing the living standard of local population. Moreover, even within the rural areas, there are significant development discrepancies between the developed North and undeveloped South. If we study the export results of agriculture and food industry realized in the northern counties of Serbia, which have rather developed and industrialized agricultural production, it could be noticed that the share of South Bačka District in Serbian export of agricultural products is 24,6%, with the share in national income in agricultural production of the district of 135,7%, which expressed in the value per hectare is 939 USD, or 13,325 USD per economically active inhabitant engaged in the county's agriculture. At the same time, in the southern counties of Serbia, per example in the Toplica District, the share of export in agricultural products in total export is only 0.6% or 18% in total national income in agriculture, i.e. its value is 68,7 USD per hectare of agricultural land, or 422 USD per economically active inhabitant engaged in agriculture of the county. Similar situation is with the Pčinja and Jablanica District (See table 2).

The sustainable development of agricultural production and trade, as contemporarily and integrated economic sector, provides for successful industrialization and overall economic development, on short and long-term basis, and contributes to a great extent to equalizing the existing differences in the regional development, particularly in rural areas. In line with this, and in order to simulate the "exporting mentality" of Serbian agriculture and food industry and enhanced export, it is necessary to initiate a program of regional clusters development with the aim to create specific brands with geographic origin for each county and region of Serbia. One of promising circumstances is that Serbian agriculture has good status at the EU market, then within the zone of free trade with Western Balkan countries (CEFTA) and in the market of Russian Federation. Clusters in brands creation should be based on analysis of position of Serbian agriculture in each region separately, recognition and detailed assessment of possible cluster participants and infrastructure development support (marketing, information, quality). In addition to afore mentioned, cluster should have the following regional policy aims:

- (1) Encouraging the sustainable development at local and regional level;
- (2) Development of human resources, so as to keep the population in rural areas by prospective employment possibilities;
- (3) Preservation of rural areas, its valuation and optimal use;
- (4) Development of competitive and restructured activities, with special emphasis on small and medium enterprises development.

DEVELOPMENT DIRECTIONS OF SERBIAN AGRICULTURE AND EXPECTED RESULTS

Main direction of future development of agriculture and food industry should be the optimal use and preservation of the available production capacities, enhancing the scope of agricultural production, changing of production structure in favour of intensive agriculture for export, and production of finalized and high quality products. The objective of such development direction is to satisfy domestic demand and increase considerably the export of high quality agricultural and food products.

Development of agriculture in Serbia will be oriented to modernization and changing of production structure so as to have more market oriented production and better overall efficiency of agriculture. Production and technological restructuring and growth of productivity in agriculture, as well as better competitiveness at local and the world market will be based on ecologic, energy consumption and economic criteria. Serbia should be transferred into an area of traditional-conventional agricultural production. At the same time, research development and application of the existing and new know-how and technologies will enable significant increase in volume and economic efficiency of agricultural production.

Quick change of production structure could not be performed in a short period, due to objective reasons. They should be performed gradually, depending on the process of Serbian agriculture revitalization and its financial consolidation. Due to that reason, it is recommended to establish the required production structure gradually, with bigger production of industrial plants and intensified animal husbandry.

Consistent implementation of development program for agriculture, food industry and rural areas, modern and industrialized agriculture would represent a milestone of accelerated development of overall economy and contribute to a great extent to faster development of other industrial sectors and infrastructure.

Income in agriculture, in particularly for market oriented agricultural producer, should be above the average income in other sectors of economy (which is the characteristic in EU), because the work in agriculture is more hard and complex from the one in industry.

In 2010, agriculture in Serbia should fully satisfy the local demand and to realize about 2 billion USD from exports. Up to 2020, agriculture in Serbia should satisfy the local demand at higher level and with better quality products and to provide for foreign currency inflow of about 6 billion USD, and in 2030 this inflow should amount 9-10 billion USD.

A considerable part of foreign exchange inflow would be used for further modernization of agricultural production, processing industries, irrigation and drainage, strengthening of farms and producers education.

Instead of 778.000 small agricultural estates, in 2020 Serbia should have 350.000 commercialized estates, with average size of 20 ha. Other estates would be house yards and small estates, which would also be important for non-material consumption and market. It is especially necessary to define specific production programs for flowers, nursery plants and vegetables growing in green houses, as well as production of poultry (eggs and broilers) certain kinds of fruits, mushrooms and other.

Animal husbandry should play dominating role in the structure of agricultural production, and plant production should be based on utilizing the genetically potential newly developed and high yielding varieties and hybrids of cultivated plants.

In rural areas, there could be located about 40 to 45 industrial activities related to agriculture, and thus new jobs would be created for the available labour in the villages, and the cities would not be overpopulated and with social problems as they are now. Up to 2010 it is possible to employ 200.000 economically active inhabitants for the work in export oriented high quality food, production of baby beef, herbs production on plantations, production of vegetables in green houses, then in tourism, as well as for work in the stock markets for flowers and vegetables sale.

At the same time, a part of economically active population would be engaged in other sectors of industry, health protection, education and services sector (trade and village tourism). In this way, living conditions in rural area would be significantly equalized with those in the city, and village life and agriculture would become more attractive for young educated people.

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Table 1 Balance of Serbian Foreign Trade in Agricultural
and Food Products from 2004 to 2006

(value in mill. US dollars)

DISTRICT	2004			2005			2006		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
District of Beograd	194.023	540.281	-346.250	226.531	486.787	-260.256	342.205	562.763	-220.558
District of North-bačka	21.792	36.285	-14.556	27.909	21.171	+6.738	44.730	26.274	+18.456
District of Central-banat	32.174	3.670	+28.504	22.644	4.379	+18.265	25.550	9.405	+16.145
District of North-banat	71.422	8.741	+62.681	59.530	9.779	+49.751	77.830	10.160	+67.670
District of South-banat	27.906	12.179	15.724	31.286	9.273	+22.013	28.325	7.349	+20.976
District of West-bačka	66.624	17.469	+49.155	74.289	15.934	+58.355	95.424	23.292	+72.132
District of South-bačka	169.632	75.531	+94.101	226.890	75.440	+151.450	311.461	95.417	+216.044
District of Srem	8.535	6.726	+1.809	16.566	5.064	+11.502	19.831	5.702	+14.129
District of Mačva	13.958	6.831	+7.127	18.309	7.832	+10.477	33.003	10.270	22.733
District of Kolubara	16.437	3.391	+13.046	24.185	2.489	+21.696	37.106	2.623	+34.483
District of Podunavlje	3.914	3.005	+909	4.078	3.205	+873	6.106	4.326	+1.780
District of Braničevo	10.263	1.699	+8.564	11.602	2.414	+9.188	14.616	3.115	+11.501
District of Šumadija	8.300	3.149	+5.151	6.573	3.777	+2.796	14.765	3.629	+11.136

District of Pomoravlje	4.576	4.587	-11	7.823	5.038	+2.785	12.819	4.697	+8.122
District of Bor	61	17	+44	150	30	+120	7	20	-13
District of Zaječar	5.213	669	+4.544	5.931	1.642	+4.289	8.332	2.815	+5.517
District of Zlatibor	32.357	5.351	+27.006	42.479	7.853	+34.626	46.436	8.889	+37.547
District of Moravica	22.956	19.059	+3.897	40.649	13.692	+26.957	33.228	15.844	+17.384
District of Raška	6.568	5.005	+1.563	7.348	7.414	-66	11.438	8.060	+3.378
District of Rasina	13.868	11.162	+2.706	21.899	10.722	+11.177	36.765	20.183	+16.582
District of Nišava	18.054	38.272	-20.218	19.998	47.098	-27.100	35.663	51.273	-15.610
District of Toplia	5.241	718	+4.523	5.930	1.034	+4.869	7.881	2.151	+5.730
District of Pirot	272	1.082	-810	382	738	-356	229	985	-756
District of Jablanica	7.433	4.246	+3.187	9.138	5.824	+3.314	10.618	6.094	+4.524
District of Pčinja	6.988	13.570	-6.582	8.389	23.189	-14.800	9.184	18.574	-9.390
Unclassified	54.033	43.205	+10.828	4.048	582	+3.466	1.855	10.145	-8.290
Serbia-total	822.600	865.900	-43.300	924.500	772.400	152.100	1.265.400	905.200	+360.200
Central Serbia	424.515	705.299	-280.784	459.114	631.360	-172.246	662.249	727.601	-65.352
Region Vojvodina	398.085	160.601	+237.484	465.386	141.040	+324.346	603.151	177.599	+425.552

Source: Statistical Office of the Republic of Serbia, Foreign trade statistics

Table 2 Share of Serbian Agricultural and Food Products Exports in Agriculture National income, Agriculture Land and per Employed Persons in Agriculture

DISTRICT	Share of agriculture exports in agriculture national income		Share of agriculture exports in agriculture land		Share of agriculture exports per employed persons in agriculture	
	in percentage	Rank	in US dollars / ha	Rank	in US dollars / employed persons in agriculture	Rank
District of Beograd	208,4	1	1.559,6	1	13.820,3	1
District of North-	47,9	9	279,0	5	3.680,9	5
District of Central-	24,2	13	89,2	12	1.702,1	6
District of North-	87,0	3	374,2	4	5.795,7	4
District of South-	17,0	18	83,0	14	1.164,3	11
District of West-	82,6	4	462,7	3	7.813,3	3
District of South-	135,7	2	939,4	2	13.325,1	2
District of Srem	11,1	22	77,2	16	853,2	14
District of Mačva	20,9	15	149,6	10	669,2	18
District of Kolubara	48,2	8	217,2	7	1.117,4	12
District of	8,5	23	59,1	21	350,6	23
District of	14,2	21	60,1	19	431,3	21
District of Šumadija	16,4	19	88,9	13	750,5	15
District of	17,0	17	79,3	15	600,4	20
District of Bor	0,0	--	0,1	25	0,6	25
District of Zaječar	14,8	20	40,4	23	796,9	16
District of Zlatibor	54,3	5	136,0	11	1.659,2	8
District of Moravica	41,0	10	186,0	9	1.513,3	9
District of Raška	25,0	12	59,8	20	636,3	19
District of Rasina	49,3	6	230,1	6	1.246,3	10
District of Nišava	48,8	7	205,6	8	1.682,8	7
District of Toplia	22,9	14	66,3	18	1.074,3	13
District of Pirot	0,8	24	1,5	24	54,5	24
District of Jablanica	18,3	16	68,7	17	422,1	22
District of Pčinja	25,4	11	47,1	22	699,0	17
Serbia-total	54,0	--	247,5	--	2.452,0	--
Central Serbia	48,6	--	199,4	--	1.701,0	--
Region Vojvodina	51,6	--	336,8	--	4.874,0	--

Source: Statistical Office of the Republic of Serbia, Foreign trade statistics

