



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

AGRICULTURAL SUBSIDIES IN THE BUDGET OF THE REPUBLIC OF SERBIA¹

Vesna Popović², Biljana Grujić³

Summary

In this paper, the authors analyse the dynamics of agricultural subsidies, compared to the developments in public revenue and public expenditure and the total subsidies of the republic budget, in the years of 2006-2013. We performed desk research using official statistical data and processing them with standard statistical methods, and studying and quoting a number of scientific papers and documents of national and EU institutions. We also considered the government's projection of the scope and structure of agricultural subsidies by 2024, having in mind the fiscal consolidations and the obligations of adjusting legislation, support policy and institutional framework in agriculture with those of the EU. A three-year fiscal consolidation programme, which includes, among other things, reducing and re-examining agricultural support programmes, should create a healthy basis for stable and growing budget transfers to agriculture. Investment support will still be very important, and producers could expect a more significant growth in direct payments just before and just after joining the EU.

Key words: *budget, subsidies, fiscal consolidation, agricultural policy, EU accession.*

JEL: *E62, H50, Q14*

Introduction

Agriculture is the base of economic activities. It includes a large number of employees and it creates a significant foreign trade surplus. In the year of 2011, agriculture and food industry accounted for 15.8% of GVA of the national economy (agriculture 10.3%), (SORS, 2013a). The sectors of agriculture, forestry and fishery employ 21.6% of all employed workforce (SORS, 2014a). The export of agricultural and food products in the year of 2013 accounted

1 The paper was prepared within the project III 46006 - Sustainable agriculture and rural development in function of achieving the strategic goals of the Republic of Serbia within the Danube region, funded by the Ministry of Education, Science and Technological Development of the Republic of Serbia, project period 2011-2015.

2 Vesna Popović, Ph.D., Principal Research Fellow, Institute of Agricultural Economics, Volgina Street no. 15, 11060 Belgrade, Serbia, Phone: +381 11 69 72 854, E-mail: vesna_p@iepag.ac.rs

3 Biljana Grujić, M.A., Research Assistant, Institute of Agricultural Economics, Volgina Street no. 15, 11060 Belgrade, Serbia, Phone: +381 11 69 72 842, E-mail: biljana_g@iepag.ac.rs

for 19.2% of total export, while the import was 7.9% of total import (SORS, 2014b). In the Jan-Nov 2014 period, the participation of agriculture and food industry in total export was 20.3%, and the surplus was 1.3 billion USD, which is a 23% increase compared to the same period of the year of 2013 (SORS, 2014c).

According to 2012 Agricultural Census, 0.3% of agricultural holdings are larger than 100 ha, and use 23.6% of total utilized agricultural area (UAA); 2.8% of holdings have 20-100 ha and use 20.5% of UAA, while 48.1% of holdings have 2-20 ha and use 48% of UAA (SORS, 2013b). The production and export results of the sector as a whole depend on the financial and professional ability of this, most numerous, group of holdings to adopt new, positive, trends in production (Popović, Grujić, 2014). The most common source of agricultural investments for a great number of these holdings is the budget of the Republic. Although the budgetary transfers for farmers are modest, they have contributed to improvements in production for a number of holdings. Many small agricultural holdings with a natural person status⁴ can barely make ends meet, and how they will start production in the upcoming period is questionable. All of this is a great risk for a country with difficulties in resisting negative development trends (Grujić, Rajnović, 2012).

It is necessary to increase investments in agricultural production and to direct far more budget transfers to agricultural sector, since strengthening agriculture, in correlation with food industry, is one of the best chances for development of Serbia in the period when food prices in the world tend to jump (Puškarić et al., 2012). This demand should, however, be adjusted to the measures of fiscal consolidation which are prioritised in periods of budget shortages and high public debt. In the framework of fiscal consolidation measures⁵, the Government planned reductions in subsidies from the republic budget as well as re-examining certain subsidies programmes, including agriculture, in order to increase the efficiency in public expenditure and preserve the sources of potential growth. In agriculture, these measures are oriented towards investments in productivity and competitiveness growth and infrastructure improvement.

It is very important that the Ministry of agriculture establish cooperation with relevant institutions on both the horizontal and the vertical level, when adjusting the national agricultural policy to the EU Common Agricultural Policy (CAP). Legislation harmonisation is also very important, especially in the field of food safety and quality.

This paper analysed: (1) *fiscal policy and subsidies in agriculture* compared to public revenues and expenditures and total subsidies from the budget of the Republic, 2006-2013; and (2) *amounts and structure of agricultural support*, defined by the Strategy for Agricultural and Rural Development by the year 2024 in light of legislative, political and institutional framework of support for agriculture and rural development harmonisation with those of the EU, as well as fiscal limitations in the upcoming three-year period.

4 Nearly half of agricultural holdings are smaller than 2ha and use 8% of UAA (SORS, 2013b).

5 Fiscal Strategy for 2014, with projections for 2015 and 2016, OGRS, no. 97/13.

Methodology and data sources

We performed desk research using official statistical data of the Statistical Office of the Republic of Serbia (SORS), Ministry of Finance and National Bank of Serbia (NBS) and appropriate statistical methodology to calculate needful indicators (nominal and real growth indices) for monitoring trends of budget transfers in the reporting period. We also studied and quoted a number of scientific papers and consulted legislation acts, published in the Official Gazette of the Republic of Serbia (OG RS), and relevant documents of national and EU institutions in the fields of fiscal and agricultural policies.

The fiscal policy of the Republic of Serbia in the period of 2006-2013

The period of 2006-2013 in the economy of Serbia was marked by an expansive fiscal policy and failed attempts at restraining its negative effects, which can be seen in a growing budget⁶ deficit and increased public debt of the country. The global financial crisis of 2008 found Serbia with a consolidated budget deficit of 2.6% of GDP, which was the result of a politically motivated expansive fiscal policy in the election campaign period, years 2006-2008 (Prašćević, 2013).

The crisis conditions during the following year of 2009 made it difficult to conduct serious measures of budget restrictions, so the deficit of the consolidated state was increased to 4.2% of the GDP with approval from the IMF. The increased scope of public expenditure was financed by getting onto debt abroad and on the domestic financial market. The taken anti-recession measures have contributed to a modest growth in the GDP in the years of 2010-2011. Parallel activities on limiting the current public expenditure have resulted in a slower growth of the fiscal deficit, which did reach 4.7% of the GDP in 2011. Already in the end of 2011, the situation got worse, and due to the upcoming elections, the Government was not able to reduce public expenditure and enforce structural reforms in the public sector in the scope demanded by the IMF. The consolidated budget deficit in the year of 2012 grows to 6.1% of the GDP and the public debt is at 56.2% of the GDP. The fiscal consolidation measures from October 2012 did not give the expected results. During the year of 2013, the collection of revenues was below the expected rate. The 2013 supplementary budget planned saving on expenditures, mostly in capital expenditures and subsidies. The consolidated fiscal result in the first quarter of 2014 reaches -7.1% of the GDP and then falls to -3.2% in the third quarter of 2014. The public debt in the third quarter of 2014 was 67.5% of the GDP (Table 1).

6 Consolidated budget of general government (consolidated state) as a real indicator of the financial position of the government, the revenues, expenditures and debt.

Table 1. Key macroeconomic indicators (period 2006-2014)

Indicators	2006	2007	2008	2009	2010	2011	2012	2013	Q1 2014	Q2 2014	Q3 2014
Real GDP growth ¹ , %	4,9	5,9	5,4	-3,1	0,6	1,4	-1,0	2,6	0,1	-1,1	-3,7
Consumer prices ² , % (m/m-12)	6,6	11,0	8,6	6,6	10,3	7,0	12,2	2,2	2,3	1,3	2,1
RS budget deficit/surplus, % GDP	-1,7	-1,6	-1,9	-3,1	-3,3	-3,9	-5,4	-4,5	-7,9	-4,8	-2,3
Consolidated fiscal result, % GDP	-1,4	-1,9	-2,6	-4,2	-4,5	-4,7	-6,1	-4,7	-7,1	-4,2	-3,2
RS public debt (external + nternal) %GDP	35,9	29,9	28,3	32,8	41,8	45,4	56,2	59,6	60,6	61,2	67,5

Source: NBS, 2014.

Note: ¹At constant prices of previous year; GDP - ESA 2010; ²Retail prices until 2006.

The fiscal position of Serbia today is not favourable and it is far from the legally established fiscal rules⁷. The October 2014 supplementary budget predicts a republic budget deficit of 5.7% of GDP for the year of 2014 (MF, 2014).

The structure of public expenditures of the consolidated state budget is poor because of high current expenditures and low public investments⁸. A republic budget deficit of 4.9% GDP is planned for the year of 2015, while the expected deficit of consolidated state is higher and lies at around 6% GDP (Fiscal Council, 2014). The GDP growth rate in 2014 was revised lowest at -2% (-0.5%, 2015), (NBS, 2014). The IMF predicts a recovery in economic activity in the year of 2016 (GDP growth of 1.5% in 2016, and 2% in 2017), (Tanjug, 2014). According to estimations of the Fiscal council, mid-term prognosis of 1.5% growth in 2016, and 2% growth in 2017 is optimistic and not easily feasible (especially in 2016), and the public debt cannot be stabilised before 2018, at a rate of over 80% GDP (Fiscal Council, 2014).

Agricultural subsidies in the republic budget expenditures, (2006-2013)

The largest part of consolidated state budget transfers is directed from the central level of government, primarily from the republic budget⁹. The republic budget also transfers most of the subsidies, including **agricultural subsidies**, whose participation in total subsidies varies from 32% in 2011 to 51.2% in 2008¹⁰ (Table 2).

7 The goal year fiscal deficit of 1% GDP, the public debt (excl. restitution payments), not greater than 45% GDP and the share of pensions, and wages in GDP of 10% and 8%, respectively (Budget System Law, OGRS, no. 54/09, 73/10, 101/10, 101/11, 93/12, 62/13, 63/13-cor, 108/13, 142/14).

8 Research, relevant to Serbian economy has shown that in a developing country with a high external debt, open and with a relatively flexible foreign currency course, an increase in current public expenditure has a minimal effect on production growth. On the other hand, an increase in public investments can have a more significant effect (Bajec et al., 2010).

9 In the period of Jan-Aug 2014, 85.9% of general government budget expenditures is directed to beneficiaries from the central government level (39.4% from the budget of RS), (MF, 2014).

10 In the period of Jan-Aug 2014, there was 51 bln RSD of subsidies directed from the budget of RS, mostly for agriculture (41.7%), (MF, 2014).

Table 2. Republic of Serbia Budget (period 2006-2013, in bln RSD)

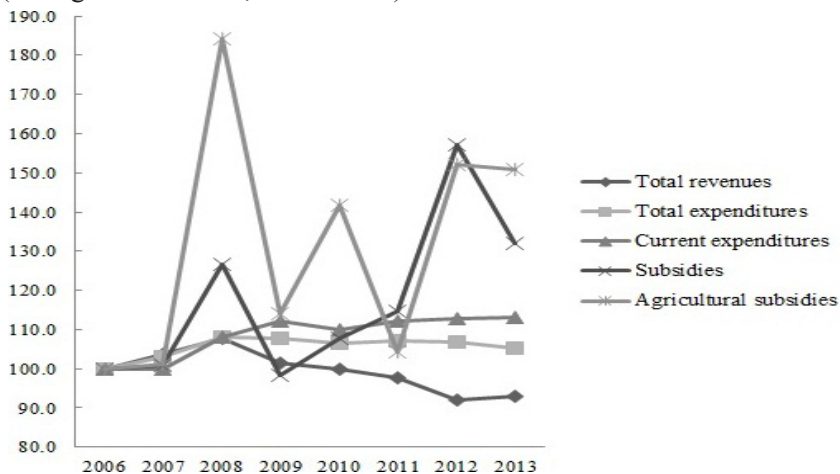
Budget headings	2006	2007	2008	2009	2010	2011	2012	2013	Nom. growth index, 13/06
I TOTAL REVENUES	494,1	579,5	651,3	656,0	712,2	744,8	788,5	812,1	164,4
II TOTAL EXPENDITURES	529,7	617,6	702,1	746,5	812,5	877,3	980,4	985,7	186,1
1. Current expenditures	476,6	538,7	632,0	699,0	755,5	824,1	930,8	952,4	199,8
Expenditure for employees	121,3	152,7	180,4	184,2	190,4	215,1	238,7	250,2	206,3
Purchase of goods and serv.	36,2	46,2	50,8	50,2	60,1	64,7	68,7	65,9	182,0
Interest payment	19,3	14,8	13,9	20,0	30,1	40,3	63,1	89,3	462,7
Subsidies	31,8	36,3	49,4	40,9	49,5	56,3	86,6	74,3	233,6
<i>Agricultural subsidies</i>	11,2	12,8	25,3	16,7	22,9	18,0	29,5	29,9	267,0
Social assist. and insurance	69,8	75,1	77,8	73,8	87,2	86,6	92,4	108,4	155,3
Other current expenditure	7,1	9,2	9,6	8,3	10,3	15,8	18,3	14,7	207,0
Current and capital transfers	191,2	204,4	250,1	321,8	328,0	345,4	363,0	349,6	182,8
2. Capital expenditures	42,4	65,9	53,0	30,6	31,6	28,6	34,5	21,2	50,0
3. Net lending	10,7	13,0	17,1	16,8	25,3	24,6	15,1	12,2	114,0
III SURPLUS/DEFICIT(I-II)	-35,6	-38,2	-50,8	-90,5	-100,2	-132,5	-191,9	-173,7	
Agriculture subs. in total (%)	35,2	35,3	51,2	40,8	46,3	32,0	34,1	40,2	
CPI ¹ , 2006=100	100,0	113,0	122,7	130,8	144,2	154,3	173,1	176,9	

Source: MF, 2014, pp. 50-51, 61.

Note: ¹SORS, statistical database, available at: <http://webzrs.stat.gov.rs/WebSite/public/ReportView.aspx>.

Agricultural subsidies had a faster growth compared to total subsidies just before and during the economic crisis in the years of 2008-2010, and again in 2013, when agricultural subsidies retain the level from 2012, while subsidies in other sectors are reduced (Graph 1).

Graph 1. Agriculture subsidies in the budget of the Republic of Serbia (period 2006-2013), (Real growth indices, 2006 = 100)



Source: Authors' calculation according to MF, 2014, pp. 50-51, 61.

Note: Consumer price index – CPI, SORS, 2014d.

The fiscal strategy 2014-2016 marks the development of agriculture, along with infrastructure investments, as a priority on the expenditure side of the budget, where the available sources would be directed to, in case of creating additional fiscal space (OGRS, 97/13). Still, agriculture is among the sectors that can expect a reduction in scope and adjustments to the structure of the budget support policy. Adequate adjustments to the structure of measures of support to reduced agricultural budget can neutralise to a large degree the negative consequences of this reduction (Katić, Popović, 2009).

Policy of support for agriculture and rural development in Serbia

There are three basic fields of action on ensuring support for the development of agriculture and rural development during the pre-accession period: 1) *creating a consistent support policy for agriculture, in accordance with the EU Common Agricultural Policy (CAP)*, 2) *strengthening the legislative framework*, and 3) *building institutions, necessary for implementing legislations and support policy*.

For harmonisation with the EU CAP, it is necessary to make important changes in the domestic **agricultural policy**. While the Serbian policy of support in agriculture and rural development is determined at an annual level and financed by modest budget amounts¹¹, the budget framework of EU CAP is determined for a period of seven years, with planned annual subsidy amounts and a high rate of budget appropriations for agriculture and rural development.

By the EU Multiannual Financial Framework (MFF) for the period 2014-2020 (Council Reg. 1311/2013), the EU CAP receives 362.8 bln EUR (commitment appropriations in prices from 2011, without assigned revenues). Of this amount, 12.7 bln EUR (3.5%) are dedicated to market measures, 265.1 bln EUR (73.1%) for direct payments and 84.9 bln EUR (23.4%) for rural development. Already in 1992, market measures represented over 90% of total CAP expenditure, driven by export refunds and intervention purchases. Compared to 2013, in the year of 2020 Pillar 1 (direct aids and market-related expenditure) would dispose with 12.9% and Pillar 2 (rural development) with 17.7% less in appropriations. Still, this is a strong support to the reformed CAP, with an amount of 37.8% of the MFF 2014-2020 (EP, 2013; EC, 2013).

The budget framework of agricultural support for the period of 2014-2024, as defined by the Strategy for agriculture and rural development of the Republic of Serbia, maintains the development orientation of the Strategy. The agricultural budget is projected in such a way that it can reach more than twice the level of today during the pre-accession period (755 mil EUR after 2020, compared to 280 mil EUR in 2013). This would increase the ability

11 By the Law on Incentives in Agriculture and Rural Development (OGRS, no. 10/13, 142/14), the Government will for each budget year determine the agricultural budget and the type and maximal amounts of incentives, in accordance with this Law, and the Budget Law of the RS. The amounts for incentives is determined in the framework of the Ministry of Agriculture budget heading, which in total cannot be smaller than 5% of the budget of the RS for the mentioned year, in the sense of the law that regulates the budget system.

of the sector to use EU funds, and the incentives would reach the level they had in the surrounding countries at EU accession point. The different dynamics of growth in budget appropriations for these purposes in sub-period 2014-2016 acknowledge the demands of the fiscal consolidation (Table 3).

Table 3. Projected agricultural budget of Serbia (period 2014–2024, in mln EUR)

Pillars	2013	Economic crisis sub-period (2014-2016)	Sub-period of the renewed economic growth and access to IPARD (2017-2020)	Sub-period of the new EU program period (after 2020)	Accession
Pillar 1	230	240	370	530	680
Pillar 2	20	30	85	150	750
Special incentives and other	30	35	50	75	110
TOTAL	280	305	505	755	1,540

Source: The Strategy of Agriculture and Rural Development of the Republic of Serbia 2014–2024, p. 84, (OGRS, no. 85/14).

Having in mind the need for improving the competitiveness of the sector in the pre-accession period, in the conditions of parallel engagement on harmonisation of domestic schemes of support with EU CAP, the budget projection contains:

- 1) An increase in amount and share of direct payments per ha/head in the structure of direct incentives of the Pillar 1 of agricultural support on account of reducing coupled support (production-related aid), establishing market support and support for small producers;
- 2) Strengthening the support for rural development (the share of which in the total incentive will grow on account of reductions in direct incentives of the Pillar 1), and within it, support for investments for improving competitiveness and reaching quality standard, environmental and support programmes for LFA areas and rural infrastructure building;
- 3) Directing support towards general services in agriculture, in order to ensure knowledge transfer and technology and adopting European food safety and quality standards (OG RS, 85/14)¹².

When it comes to reforms of agricultural policy and harmonisation with EU CAP in the conditions of fiscal consolidation (sub-period 2014-2016 of the budget plan), the Ministry of Agriculture already faces the first tasks in re-examining the justification of the current subsidies programmes. It is about: 1) abolition of the EU CAP non-compliant milk subsidy, and 2) redirection of a part of direct payments per ha in plant production

¹² Strengthening the support for general services in agriculture (research, improvements in food safety and quality and standardisation, extension services, marketing and promotion, infrastructure) as well as programmes connected to regional development and the environment is in accordance with the rules and recommendations of the WTO, where Serbia is waiting for membership since 2005 (Popović, Katić, 2007).

to investment support for promoting competitiveness in production and processing of agricultural products.

The lack of a referent national laboratory for milk disables the payment of premium to producers according to the quality of the raw milk¹³. A small number of dairy cows registered in livestock breeding records are an obstacle to implementing payments per head, which should replace the milk subsidy in the process of harmonisation with the EU legislative as of the year 2016.

The amended Law on Incentives in Agriculture and Rural Development (OG RS, 142/14) limits subsidies per ha in plant production in 2015 to producers with holdings of up to 20ha of sown arable land and plantations, instead of the current 100 ha. Such a decision is justified by the desire to support small commercial producers, and direct the mid-range producers towards more efficient measures of investment support.

This can protect the income of small producers and implement certain necessary savings in the republic budget, but in this case, the support will have more of a social character than a development one. Measures of investment support are more efficient than direct payments in raising the competitiveness of mid-range commercial households in transitioning countries, but in this case it is necessary to ensure the redirection of savings made from direct payments into investment support to this group of producers, which is not probable in the conditions of fiscal consolidation¹⁴. Investment support will certainly remain a very important measure, and producers can expect a more significant growth in direct payments after accession to the EU (Popović, Katić, 2007).

Strengthening the legislative framework includes harmonising the domestic legislation with that which is applied in the Union. The National programme for the adoption of the EU acquis – NPAA (2014-2018), (The Government of the Republic of Serbia, 2014), determines the dynamics of harmonisation. The Ministry of Agriculture and Environment Protection holds the jurisdiction over harmonising the legislative about: agriculture and rural development, food safety, veterinary and phytosanitary policies and fishery. The Strategy for agriculture and rural development of the Republic of Serbia for the period of 2014-2024 defines the goals, priorities and framework of political and institutional reforms, as well as the dynamics of legislation harmonisation in the mentioned fields.

The adjustment of legislation in the field of food safety and quality has priority, bearing in mind the significance of this matter for placing food on the EU market. A great deal of work here is done by passing the *Law on Food Safety* (OG RS, 41/09) and appropriate subordinate regulations. The Law defines the general conditions for safety of food and

13 A budget line for the establishment of a laboratory for testing the quality of raw milk is defined in the 2015 budget of the Republic of Serbia (OG RS, 142/14).

14 The budget of 2015 predicts a permanent reduction in agricultural subsidies in the amount compliant with the subsidy reduction “per ha” to a maximum of 20 ha. The budget for 2015 is the first step in a three-year programme of fiscal consolidation, which has a goal to recover public finances and stabilise the public debt (Fiscal Council, 2014).

animal food, the obligations of the subjects in food and animal food trade, a system of fast intelligence and crisis management and other matters of hygiene and food quality (Grujić, Rajnović, 2012). The quality policy is oriented towards harmonising domestic legislation with EU legislation in the field of protecting the geographic origin of agricultural and food products, where the central place belongs to the *Law on Indications of Geographical Origin* (OG RS, 18/10), with associated regulations. In order to appear on foreign markets successfully, the participants in the value chain must satisfy food safety and quality standards (ISO 22000:2005, HACCP, GLOBALGAP, British Retail Consortium, KOSHER, HALAL and others).

Appropriate **institutional capacities** are a necessary precondition for efficient harmonisation of the legislative framework and the agricultural policy. The Law on Agriculture and Rural Development established the *Directorate for Agrarian Payments* in 2009 (OG RS, 41/09). Directorate performs the activities related to the implementation of the subsidies program in agriculture, manages the Farm Register and implements international assistance to agricultural policy in the Republic of Serbia. The process of accrediting the Directorate for using IPARD funds (the IPARD agency) is underway.

One of the sections of the Directorate for Agrarian Payments has a task of establishing and managing *Integrated Administration and Control System (IACS)*. This system, along with a well-developed *Land Parcel Identification System (LPIS)*¹⁵ enables an efficient transfer of direct payments to the beneficiaries and is a precondition for optimal use of EU funds in agriculture.

The mechanism of market interventions includes buying and selling agricultural products and subsidising storage costs. According to the NPAA (2014), establishing a legislative and institutional framework (organisational units of the Directorate for Agrarian Payments) for *market interventions* is expected towards the end of 2016. According to the same source, establishing a special organisational unit within the Ministry of Agriculture and Environment Protection for dealing with tasks in *state aid in agriculture and rural development* is predicted for the year of 2017.

Progress in structural reforms in agriculture is tightly connected to the development of entrepreneurship in food production and processing, primarily in family households that have been in the focus of agricultural and RD strategists for years. The development of small and medium sized enterprises in agribusiness needs significant investments through different types of credits. Financial support can be obtained through institutional support and share capital of banks, credit associations and leasing companies (Bogavac Cvetković et al., 2010). Domestic agriculture also needs a specialised agricultural bank, whose primary task would be concentrating free (and cheap) financial resources and release them into agriculture under benefit conditions (Vasiljević, Popović, 2014).

Producer organisations and clusters are of great importance to efficient business doing of a great number of small and medium sized agricultural producers (Nikolić, Popović, 2007).

15 The first draft of the Strategy for implementation of LPIS/IACS was presented in Sept 2014.

Producer organisations operate efficiently in the EU, especially in production of milk, meat, and fruit and vegetables. In Serbia, these organisations are still few, mostly local and have a weak competitive position on the market. Development of *wholesale markets* as trade channels is especially important for these market subjects, from the aspect of food safety and quality standard control.

Passing the Law on Food Safety created a legal basis for establishing Directorate of National Reference Laboratories, as an administrative body within the Ministry of Agriculture. Directorate encompasses a *network of reference laboratories*, which perform tasks in the field of food safety, plant and animal health, residues, milk quality and plant gene banking, and carries out other activities in this area.

The Ministry of Agriculture and Environment protection is the main stakeholder and coordinator of activities on harmonization of national agricultural policy with EU CAP with relevant institutions on the horizontal and the vertical level (ministries, extension service, rural development support network, chambers of commerce, science and research organisations, etc.), (Grujić et al., 2012).

Conclusion

Serbia faces great problems when it comes to fiscal consolidation and support for the agricultural sector. The reasons for reducing budget expenditure and re-examining the current support programmes (those in the agriculture sector, among others) lie in the fact that the state has significant budget deficit and that it uses a wide spectrum of fiscal policy measures to reduce it.

At the same time, agriculture and food industry are marked as sectors whose comparative advantages will serve as basis for the economic policy of the country in the upcoming period, and sectors where we expect the establishment of a new investment and development cycle.

It is imperative for the state authorities to provide adequate amounts of budget support to finance the development-oriented investments in agriculture and rural areas, and take on the necessary activities in establishing and strengthening institutions that will deal with adjusting legislation and agricultural policy with those of the EU.

Market oriented medium sized households as pillars of the development of agriculture, food industry and food export, as well as of preserving the vitality of the rural areas, must come into focus of budget support. These households primarily need investment support for modernisation and strengthening the production chain in the pre-accession period, in order to promote competitiveness and reaching EU food safety and quality standards.

Reducing direct payments due to budget restrictions will not help the development of the sector unless followed by strengthening investment support, but a fiscal consolidation should create healthy conditions for stable and growing budget transfers for these purposes, at best already in 2018. The producers can expect significantly larger amounts of direct support just before and after EU accession.

Literature

1. Bajec, J., Stamenković, S., Kovačević, M., Vučković, V., Jakopin, E., Bogdanov, N., Zdravković, M., Filipović, S., Mitrović, S., Nikolić, I., Petrović, P., Živković, B., Arandarenko, M., Arsić, M. (2010): *Postkrizni model ekonomskog rasta i razvoja Srbije 2011-2020*, stučija, Ekonomski institute Beograd – MAT, Ekonomski fakultet Beograd – FREN, available at: www.kss.org.rs/doc/1102_makroekonomska_proj_razv_Srbije_2011-2020.pdf.
2. Bogavac Cvetković, N., Ilić B., Milićević, V. (2010): *Globalizacija i konkurentnost agrarnog sektora Srbije*, Ekonomske teme, no. 2, pp. 159-168.
3. European Commission (EC), (2013): *Overview of CAP Reform 2014-2020*, Agricultural Policy Perspectives Brief No. 5*/ December 2013, EC, Bruxelles, Belgium, available at: http://ec.europa.eu/agriculture/policy-perspectives/policy-briefs/05_en.pdf
4. European Parliament (EP), (2013): *European Council Conclusions on the Multiannual Financial Framework 2014-2020 and the CAP*, Note, Brussels: Policy Department B - Structural and Cohesion Policies, European Parliament, Directorate General for Internal Policies, Bruxelles, Belgium, available at: [www.europarl.europa.eu/RegData/etudes/note/join/2013/495846/IPOL-AGRI_NT\(2013\)495846_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/note/join/2013/495846/IPOL-AGRI_NT(2013)495846_EN.pdf)
5. Fiscal Council of the Republic of Serbia (2014): *Assessment of the bill on the 2015 budget of the Republic of Serbia. Executive Summary*. Fiscal Council of the Republic of Serbia, Belgrade, available at: www.fiskalniasvet.rs/doc/eng/executive_summary_assessment_budget_2015.pdf
6. Government of the Republic of Serbia (2014): *National Programme for the adoption of the EU Acquis 2014-2018 (NPAA)*, European Integration Office, Belgrade, Serbia, available at: www.seio.gov.rs/upload/documents/nacionalna_dokumenta/npaa/npaa_eng_2014_2018.pdf
7. Grujić, B., Rajnović, Lj. (2012): *Legislation and trade*, In: Cvijanović, D., Bekić, B., Jeločnik, M. (Eds.) - Solutions and interventions for the technological transfer and the innovation of the agro-food sector in South East regions - TECH. FOOD PROJECT, IAE, Belgrade, pp. 62-76.
8. Grujić, B., Roljević, S., Sarić, R. (2012): *EU agricultural policy budget and stabilization of Serbian agrar directions*, Proceedings of Conference Аграрная наука, творчество, постр, Том 1, Stavropol Stata Agrarian University, Stavropol, Russian Federation, pp. 307-311.
9. Katić, B., Popović, V. (2009): *Agrar u ekonomskoj politici Srbije za 2009. godinu*. Ekonomika poljoprivrede, vol. 56, no. 1, pp. 145-155.
10. National Bank of Serbia (NBS), (2014): *Inflation Report*, NBS, Belgrade, November 2014, available at: www.nbs.rs/export/download/pdf_ioi/inflation_report_11_2014.pdf
11. Nikolić, M., Popović, V. (2007): *Associations in beef production*, in: the EAAE 100th Seminar Proceedings - Development of Agriculture and Rural Areas in Central and Eastern Europe, Novi Sad, EAAE, SAAE and RCC, pp. 251-260.

12. *Fiscal Strategy for 2014, with projections for 2015 and 2016*, Official Gazette of the Republic of Serbia (OGRS), no. 97/13.
13. *Law on Budget System*, Official Gazette of the Republic of Serbia (OGRS), no. 54/09, 73/10, 101/10, 101/11, 93/12, 62/13, 63/13-cor, 108/13, 142/14.
14. *Law on Incentives in Agriculture and Rural Development*, Official Gazette of the Republic of Serbia (OGRS), no. 10/13 and 142/14.
15. *The Strategy of Agriculture and Rural Development of the Republic of Serbia 2014–2024*, Official Gazette of the Republic of Serbia (OGRS), no. 85/14.
16. *The Republic of Serbia 2015 Budget Bill*, Official Gazette of the Republic of Serbia (OGRS), no. 142/14.
17. *Law on Indications of Geographical Origin*, Official Gazette of the Republic of Serbia (OGRS), no. 18/10.
18. *Law on Agriculture and Rural Development*, Official Gazette of the Republic of Serbia (OGRS), no. 41/09.
19. *Law on Food Safety*, Official Gazette of the Republic of Serbia (OGRS), no. 41/09.
20. Popović, V., Grujić, B. (2014): *Robna i regionalna struktura izvoza poljoprivrede i prehrambene industrije Srbije*, Agroekonomika, vol. 43, no. 63-64, pp. 1-12.
21. Popović, V., Katić, B. (2007): *Doha runda pregovora u STO i interna podrška poljoprivredi Srbije*, Ekonomski anali, vol. 52, no. 172, pp. 93-113.
22. Praščević, A. (2013): *Dometi ekonomske politike u prevazilaženju efekata globalne ekonomske krize na ekonomiju Srbije*, Ekonomski horizonti, vol. 15, no. 1, pp. 17-30.
23. Puškarić, A., Jeločnik, M., Bekić, B. (2012): *Trgovinski bilans Republike Srbije u kontekstu međunarodne razmene hrane i poljoprivrednih proizvoda*, Ekonomika, vol. 58, no. 1, pp. 112-120.
24. Republic of Serbia. Ministry of Finance (MF), (2014): *Bulletin Public Finances*, no. 120, August 2014, MF, Belgrade, available at: www.mfin.gov.rs/UserFiles/File/bilten%20javne%20finansije/bilten-120-eng-web.pdf
25. Statistical Office of the Republic of Serbia (SORS), (2014a): *Labor Force Survey (LFS)*, Statistical Release, No. 295 – Year LXIV, 31.10.2014, SORS, Belgrade, available at: http://webzrs.stat.gov.rs/WebSite/repository/documents/00/01/55/41/RS10_295_eng-III_kvartal_2014.pdf
26. Statistical Office of the Republic of Serbia (SORS), (2014b): *Statistics of external trade*, Statistical Release, No. 194 - Year LXIV, 16.07.2014., SORS, Belgrade, available at: <http://webzrs.stat.gov.rs/WebSite/repository/documents/00/01/45/06/st12g072014e.pdf>
27. Statistical Office of the Republic of Serbia (SORS), (2014c): *Statistics of external trade*, Statistical Release, No. 361 - Year LXIV, 30.12.2014., SORS, Belgrade, available at: <http://webzrs.stat.gov.rs/WebSite/repository/documents/00/01/63/99/st12122014e.pdf>
28. Statistical Office of the Republic of Serbia (SORS), (2014d): *Consumer price indices by COICOP*, data base, SORS Belgrade, available at: <http://webzrs.stat.gov.rs/WebSite/Public/ReportView.aspx?rptKey>

29. Statistical Office of the Republic of Serbia (SORS), (2013a): *Statistical Yearbook of the Republic of Serbia 2013*, SORS, Belgrade, available at:
<http://webzrs.stat.gov.rs/WebSite/repository/documents/00/01/17/20/G20132010.pdf>
30. Statistical Office of the Republic of Serbia (SORS), (2013b): *Census of Agriculture 2012 in the Republic of Serbia – Agriculture in the Republic of Serbia*, Book of census results, SORS, Belgrade, available at:
<http://popispoljoprivrede.stat.rs/popis/wp-content/themes/popis2012/sadrzajeng.htm>
31. Tanjug (2014): *Vučić: Reforme u javnim preduzećima biće teže od očekivanih*, portal, Tanjug Beograd, available at: www.tanjug.rs/videodet.aspx?galID=145361&videoID=836944
32. Vasiljević, Z., Popović, V. (2014): *Ekonomsko-finansijska komponenta razvoja sela i poljoprivrede*, Zbornik radova - Perspektive razvoja sela, Knjiga CXLV, Knjiga 5, SANU, Beograd, Odeljenje hemijskih i bioloških nauka, pp. 163-185.

SUBVENCije U POLJOPRIVREDI U BUDŽETU REPUBLIKE SRBIJE

Vesna Popović¹⁶, Biljana Grujić¹⁷

Rezime

U ovom radu autori analiziraju dinamiku subvencija u poljoprivredi, u odnosu na kretanje javnih prihoda i rashoda i ukupnih subvencija budžeta Republike, 2006-2013. godine. Primenjen je metod istraživanja za stolom, korišćeni su zvanični statistički podaci i standardne statističke metode za njihovu obradu i proučen i citiran određeni broj naučnih radova i dokumenata državnih institucija i institucija EU. Razmatrana je takođe i vladina projekcija obima i strukture subvencija u poljoprivredi do 2024. godine, imajući u vidu mere fiskalne konsolidacije i obaveze usklađivanja propisa, politike podrške i institucionalnog okvira u poljoprivredi sa odgovarajućim u EU. Trogodišnji program fiskalne konsolidacije, koji uključuje, između ostalog i redukovanje i preispitivanje programa agrarne podrške, treba da stvori zdrave osnove za stabilne i rastuće budžetske transfere poljoprivredi. Investiciona podrška će i dalje biti veoma važna, a značajniji rast direktnih plaćanja proizvođači mogu očekivati neposredno pred i po priključenju EU.

Ključne reči: *budžet, subvencije, fiskalna konsolidacija, agrarna politika, priključenje EU.*

16 Dr Vesna Popović, naučni savetnik, Institut za ekonomiku poljoprivrede, Volgina 15, 11060 Beograd, Srbija, Telefon: +381 11 69 72 854, E-mail: vesna_p@iepg.bg.ac.rs.

17 Biljana Grujić, MA, istraživač saradnik, Institut za ekonomiku poljoprivrede, Volgina 15, 11060 Beograd, Srbija, Telefon: +381 11 69 72 842, E-mail: biljana_g@iepg.bg.ac.rs.

CONTENT

1. Andrei Jean Vasile, Dusmanescu Dorel, Mieila Mihai
**THE INFLUENCES OF THE CULTURAL MODELS ON
AGRICULTURAL PRODUCTION STRUCTURES IN ROMANIA
AND SOME EU-28 COUNTRIES - A PERSPECTIVE 293**

2. Dončić Dalibor, Perić Nenad, Prodanović Radivoj
**HOLISTIC MARKETING IN THE FUNCTION OF COMPETITIVENESS
OF THE APPLE PRODUCERS IN BOSNIA AND HERZEGOVINA 309**

3. Ivanović Sanjin, Nastić Lana, Bekić Bojana
**POSSIBILITIES OF MIRR METHOD APPLICATION FOR
EVALUATION OF INVESTMENTS IN AGRICULTURE:
AN EXAMPLE OF PIGS FATTENING 325**

4. Mitić Sanja, Gligorijević Mirjana
**CONSUMERS' ATTITUDES, KNOWLEDGE AND CONSUMPTION
OF PRODUCTS WITH NUTRITION AND HEALTH CLAIMS 335**

5. Ratković Tatjana
**HRM IN FOREIGN-OWNED AGRICULTURAL AND FOOD
PROCESSING COMPANIES IN SERBIA 353**

6. Stoyanova Zornitsa, Harizanova Hristina
**PERSPECTIVES OF DEVELOPMENT OF
GREEN JOBS IN BULGARIA 369**

7. Vuković Bojana, Mijić Kristina, Spahić Nataša
**CONCENTRATION OF TOBACCO MARKET:
EVIDENCE FROM SERBIA 385**

8. Zubović Jovan, Jeločnik Marko, Subić Jonel
**CAN HUMAN RESOURCES INDUCE SUSTAINABILITY
IN BUSINESS? MODELING, TESTING AND CORRELATING
HR INDEX AND COMPANY'S BUSINESS RESULTS 399**

9.	Živanović Ljubiša, Kovačević Vlado, Lukić Vladan ECONOMIC COST – EFFECTIVENESS OF DIFFERENT NITROGEN APPLICATION IN THE PRODUCTION OF CORN ON CHERNOZEMS SOIL	421
10.	Wasilewski Adam EFFICIENCY OF EU FINANCIAL SUPPORT POLICY FOR DEVELOPMENT OF RURAL ENTREPRENEURSHIP IN POLAND . . .	437
11.	Arsić Slavica, Jovanović Marijana, Sredojević Zorica COMPARATIVE ANALYSIS OF THE NUMBER OF SHEEP IN FYR AND SOME EUROPEAN COUNTRIES	453
12.	Lescheva Marina, Ivolga Anna CURRENT STATE AND PERSPECTIVES OF SHEEP BREEDING DEVELOPMENT IN RUSSIAN MODERN ECONOMIC CONDITIONS	467
13.	Pavlović Nataša, Medić Sandra, Tešić Aleksandra RELATIONS, INTERACTIONS AND NETWORKS OF CULTURAL TOURISM STAKEHOLDERS IN RURAL AREAS OF VOJVODINA	481
14.	Počuča Milan, Drašković Bojana ALTERING THE USE OF AGRICULTURAL INTO CONSTRUCTION LAND - PRACTICE AND TRENDS	497
15.	Popović Vesna, Grujić Biljana AGRICULTURAL SUBSIDIES IN THE BUDGET OF THE REPUBLIC OF SERBIA	513
16.	Tešanović Dragan, Vuksanović Nikola, Kalenjuk Bojana, Portić Milijanko TOURIST SHIPS ON THE DANUBE AS AN OPPORTUNITY FOR EXPORT OF MEAT AND MEAT PRODUCTS	527
17.	Ćejvanović Ferhat, Kovačević Alma, Grgić Zoran, Maksimović Aleksandar, Miletić Vesna THE EFFECT OF RURAL DEVELOPMENT POLICY ON DOMESTIC VIOLENCE	543
18.	LIST OF REVIEWERS IN 2014	559