

Serbia: Agricultural Policy Brief (CAPB)

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Introduction

This report analyses the most important characteristics of Serbian agriculture from the perspective of the relative importance of the sector to the national economy, recent trends sectors output and trade, main developments of key subsectors and the basic characteristics of farm structure. Special attention is paid to agricultural policy in terms of policy framework, the structure of budgetary support and progress towards EU integration.

The analysis covers the time period 2005-2014, focusing on recent years. The analysis of the agricultural sector is based on national statistical data provided by the Statistical Office of the Republic of Serbia (SORS). Data on executed budgetary transfers collected form Ministry of Agriculture, Forestry and Environmental Protection.

The report is organized as follows: the opening sections give an overview of macroeconomic environment. The second section deals with agriculture's contribution to the country basic macroeconomic aggregates, and production characteristics and trends of key markets, including international trade. In third section starts with a description of Serbian agricultural policy concepts and frameworks, then analyses the scope and structure of budgetary support by pillars and group of measures. The basic elements of farm structure are analysed in forth section, including policy issues related to farm restructuring. The report ends with a discussion and conclusions, with authors' view of the key aspects of policy directions in the next period.

1. Economic development in the country

During the reviewed period 2005-2014 Serbian economy has had cyclical developments. The break point of positive economic trends started in the second half of 2008 with the spill-over of negative effects of the global economic crisis.

After a modest recovery from the global recession and weak GDP growth in 2011, Serbia entered into a second recession in 2012. There were some positive developments in 2013 (which pointed to recovery from economic downturn in 2012), but in 2014 there negative trends of main macroeconomic indicators continued.

Economic activity experience floods related recession throughout most part of 2014. The effects of floods were heavily concentrated in the main productive sectors (i.e. agriculture, industry, trade and mining), resulting in a notable real decline of GDP by 1.8%.

Apart from the reduction the GDP, the decline is recorded in other macroeconomic indicators as well. These include a growth of public debt, stagnation of budget deficit and indicators of foreign trade.

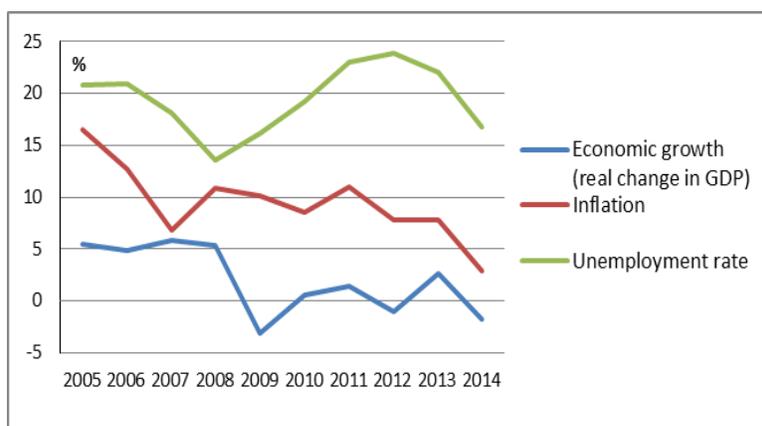
The movement of the national currency against the euro, after two years of stability in 2014 recorded an increase (3.7%). Inflation rate was maintained at a lower level (2.9%) than in previous year, as well as unemployment rate which reached lower level since the beginning of crisis (18.9%).

Table 1. Serbia: Economic context, 2005 and 2014.

	2005	2014
GDP (million EUR)	21,103	33,059
Population (million)	7,456	7,147
Land area (thousand km ²)	88,361	88,499
Population density (inhabitants/km ²)	-	-
GDP/capita, PPP (EUR)	7,400	9,800*
Trade as a share of GDP (%)	57,1	80,6

*Data of 2013

Figure 1. Serbia: Main macroeconomic indicators, 2005-2014 (real GDP growth, inflation rate, unemployment rate)



2. Agricultural Development in the country

The contribution of agriculture to the Serbian economy in terms of sectors share in GDP, employment and trade balance is considerable.

The share of agriculture in the relevant macroeconomic indicators in 2014 mainly remained at the level of the previous year. In 2014 agriculture contributed to GVA by 9.7%, which was 0.3 percentage points higher than in previous year, but substantially lower than at the beginning of the observed period.

The importance of the sector for Serbian foreign trade is reflected in the fact that the agriculture is the only single sector in the Serbian economy which realizes a positive trade balance. The foreign trade of agricultural and food products in 2014 accounted 13.6% of the total trade, which is an increase by 1.2 percentage points compared to the previous year. This growth was primarily caused by the export growth of 10.5%.

Employment in agricultural sector has declined till 2013, both in terms of the number of people employed (from 636 thousand in 2005 to 492 thousand in 2013) and in the share of agriculture in total employment (23.3% to 21.3%). In 2014 there was slight increase of employed in agriculture of 3,7%, i.e. 21.9% of total employment.

Table 2. Serbia: Agriculture in the economy; 2005 and 2014

	2005	2014
<i>Agriculture share in GVA (%)</i>	12.0	9.7
<i>Agriculture share in employment (%)</i>	23.3	21.9
<i>Agro-food exports (% of total exports)</i>	20.3	20.6
<i>Agro-food imports (% of total imports)</i>	7.4	7.8

Serbia is endowed with substantial agricultural land resources, both in terms of its size and quality of soils. The 2012 Agricultural Census has recorded 3.861 million hectares of agricultural land, out of which 3.437 million hectares (89%) is utilized agricultural area (UAA). Annual changes in the volume of UAA range by $\pm 1\%$.

The agricultural output dominates by crop production (66.9%) and in the previous decade characterized by oscillatory trend caused by large variations in crop yields. Despite the spring floods in 2014, the yields of major crops (corn, oilseeds, and sugar beet) recorded record highs, resulting in the increase of crop production by 5.6%, and GAO by 3.8%. The highest production growth in 2014 has been recorded at corn and soybean production, while a fall in production occurred in potato, fruit, vegetables and grapes.

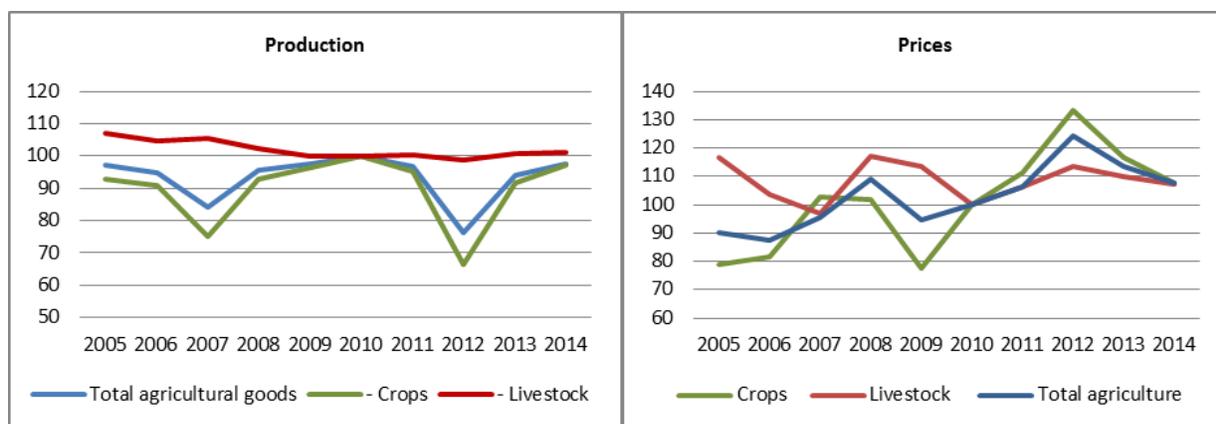
Livestock production was maintained at the level of the previous years and represents a corrective factor of the agricultural production growth. After slight growth of livestock production in 2013 (by about 2% compared to 2012), during 2014 it keeps the existing level of production as in previous year (+0.4%).

Table 3. Serbia: Characteristics of the agricultural sector; 2005 and 2014

	2005	2014
<i>Agricultural area (AA)(thousand ha)</i>	3,608	3,507
<i>Share of arable land in AA (%)</i>	73.5	74.3
<i>Share of crop in total agricultural production (%)</i>	62.3*	66.9
<i>Average wheat yield (t/ha)</i>	4.0	3.9
<i>Average milk yield (t/dairy cow)</i>	2.6*	3.4
<i>Factor income per Annual Work Unit (EUR)</i>	-	4,168
<i>Agro-food export to import cover ratio (%)</i>	117.6	189,0

*Data of 2006

Figure 2. Serbia: Agricultural production and real price indices (2010=100)



Real price indices of agricultural products during 2005-2014 indicate oscillation and decline in the last two years. In 2014 the prices of agricultural products dropped compared to the previous year, but their level, in real terms, remained above the price level in 2010. Comparing with 2013, the prices of agricultural products were nominally lower by 2.7%, and 5.6% in real terms.

Prices of plant products fell both in real (4.8%) and nominal terms (7.7%), while the prices of livestock products have remained more stable (increase of 0.4% in nominal terms, drop of 2.5% in real terms).

In the sector of plant production, the largest real price increases was recorded in vegetables (25-30% comparing with 2013) and some fruits (apples 5%, pears and plums 35%, table grapes 51%) which are mostly attributable to the impact of floods on reduction of supply. On the other hand, prices of oil seeds (except sunflower), cereals and sugar been were lower than in the previous year (2-25%).

Prices of livestock products remained stable compared to the previous year. Slight increase of 7% has been recorded at the calf and lamb meat prices, while a significant reduction of 14% was the price of raw goats' milk.

Foreign trade of agricultural and food products in 2014 amounted 3.509 billion EUR and was by 7.2% higher compared to 2013. In 2014 the export of agriculture and food products continued to grow, resulting in maximum trade surpluses of 1.081 mill EUR in 2014 (22.6% higher than in 2013). An import coverage ratio of agri-food products in 2014 amounted to 1.89.

The main export destinations of agriculture and food products are EU countries by 49.1% of total export in 2014, followed by the CEFTA countries (about 33% of exports), and the markets of other countries exported (17.6% of total export). The composition of imports according origin in 2014 was as follows - the EU countries 63%, other markets 25% and CEFTA countries 12%. As regard to top trading partners, the largest share of exports was realized in Bosnia and Herzegovina 16.5%, Romania 12.2%, and in Russian Federation (10.2%). Because of international trade sanctions that the European Union and the United States have introduced the Russian Federation in early 2014, the Russian market is becoming increasingly important for Serbian export. Import side dominated by Croatia (8.9%), Germany (6.6%) and Italy (6.6%).

The main groups of agricultural products in exports in 2014 were cereals (19.8%), vegetables (17.9%), beverages (7.2%), tobacco and tobacco products (5.7%), animal and vegetable fat and oil (5.2%), and the food products (5.0%). The import side in 2014 has been dominated by fruit (10.8%), miscellaneous food products (7.9%), tobacco and tobacco products (6.9%), fodder (5.7%) and chocolate and cocoa (5.9%).

Figure 3. Serbia: Agro-food trade, total and by markets, 2005-2014 (mill EUR)

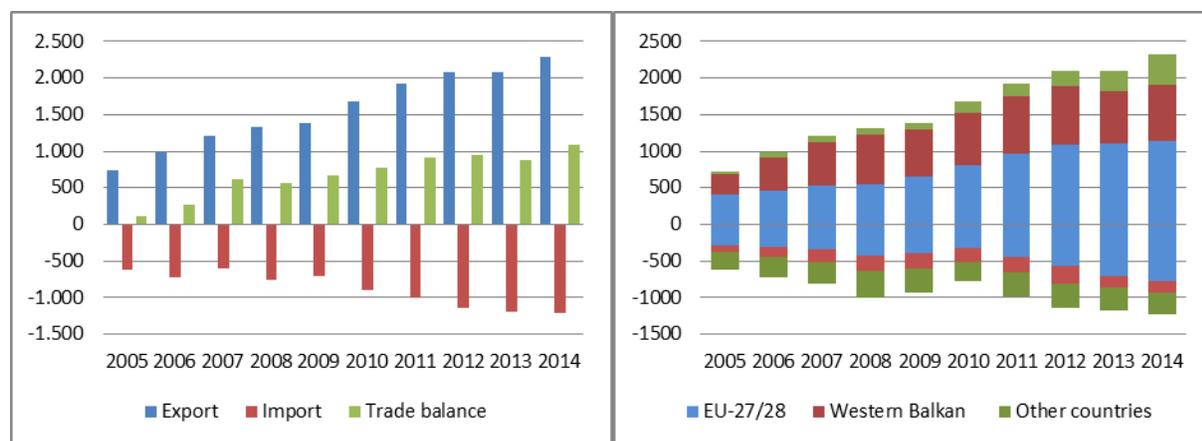


Table 4. Country: Main developments on agricultural markets between 2005 and 2014

	Traditionally, the country is	Since 2005, the production has	Significant changes (e.g. surplus, drop in production, price increase etc.)
Cereals	Net exporter	Increased	<p>The average area under cereals in Serbia is 1.78 mill hectares, with production of 8.99 million tonnes. The corn dominates in the structure of cereals production, with an average share in total area of 56% and 66% in total grain production. The drops in cereals production were recorded in 2007 and 2012 due to adverse weather conditions, resulting in both yield decrease and poorer grain quality (particularly in 2012). The average yields in last decade were 6 t/ha, with record high of 7.52 t/ha in 2014.</p> <p>Serbian export of food and agricultural products dominate by cereals, with average share of about 17%. The value of export has had an upward trend until 2012, when it reached peak of 519 mill. EUR. In 2013 the value of export decreased due to poor quality of corn. However, the exports of wheat diminished the effects of decline in corn export, since it increased three-fold, making wheat the highest ranking export in 2013. Record production of corn in 2014 has led to renewed growth in export of cereals, reaching 459 mill EUR, i.e. 20% of total export of food and agricultural products.</p>
	Net importer	Decreased	
	Self sufficient	No significant trend	
	No significant prod.		
Sugar	Net exporter	Increased	<p>Area under sugar beet in the past five years has varied, moving in the range of about 60 to 71 thousand hectares. Floods in the spring of 2014 had no an impact on this production, since it is largely concentrated in the northern part of country (Vojvodina). In 2014 yields have reached pick of 54.7 t/ha, due to which, despite the slight decrease in harvested area, volume of production was the reached record level.</p> <p>The sugar beet market is unstable, with the variations in the purchased quantities, prices and large number of market intermediaries. Record production of sugar beet in 2014 has brought a number of problems in this subsector. The prices of sugar beet in 2014 decreased compared to the 2013 (from 40 to 30 EUR/t), but contracted price between sugar refineries, buyers and producers still were high in comparison to the price of sugar on the domestic and international markets. In an effort to minimize losses, sugar refineries and buyers avoided contractual obligations, which led to the instability of the market during harvest season. Besides, processing campaign was delayed due to bad weather conditions, which caused poorer quality of sugar beet and contributed to the growth of production losses.</p> <p>Serbia is a net exporter of sugar, with about 200 thousand tons per year. The average value of export is 130 million EUR with a slight</p>
	Net importer	Decreased	
	Self sufficient	No significant trend	
	No significant prod.		

			tendency of growth in the period 2010-2013. A significant decline in the value of exports was in 2014, as a result of falling international sugar prices combined with record stocks.
Oilseeds, oils and fats	Net exporter	Increased	<p>The area under oil crops in Serbia ranges between 320 and 360 thousand hectares, with average production of over 900 thousand tones. Oilseed production has a pronounced positive development trend, reaching maximum of 1.1 mill tons in 2014.</p> <p>The most important crop is sunflower, with the share of 45% of total oilseed area. Sunflower production in 2013 and 2014 reached a record of about 510 thousand tones. This production growth is a result of a rise in yields, which in 2014 reached a pick of 3.2 t/ha. The area under soybeans is about 5000 ha, and since 2009 have been declining. In spite of decrease of harvested area, record yields of soya been in 2014 (3,5t/ha), have led to largest amount of production.</p> <p>Rapeseed production in the last five years varied from 20 to 44 thousand tones, without prominent trend. Fall in oilseed prices in 2013 extended over 2014, in line with developments in the global market. A slight growth of 4% was recorded only for sunflower prices.</p> <p>Foreign trade in the sector of oilseeds, oils and fats is extremely unstable by size and structure, with pronounced growth trend in both export and import. A positive trade balance was achieved in 2011, 2013 and 2014. In 2014 external trade was marked by the record exports of sunflower meal and record in imports of soybean meal. Foreign trade in the oilseeds sector is under the high influence of domestic purchase prices and prices on the relevant international markets, mostly Hungarian.</p>
	Net importer	Decreased	
	Self sufficient	No significant trend	
	No significant prod.		
Fruit and vegetables	Net exporter	Increased	<p>Orchards in Serbia occupy 167 thousand hectares (4.7% of agricultural land) with an average production of 1.2 mill tones of fruit. The largest shares of production have plums, raspberries and apples. In the period 2010-2014 fruit production varied greatly – from 930 to 1,541 thousand tones. Visible production trends exist with only for some types of fruit - production of peaches, cherries and blackberries growth, while production of raspberries permanently decreasing since record high 2011 (32% decrease in 2014).</p> <p>Starting from 2012, prices of most fruits decreasing.</p> <p>The vegetables area constantly declining (from 80 thousand hectares in 2005 to 66 thousand hectares in 2014). The average volume of vegetable production is about 1 mill tones, with declines in years affected by extreme weather conditions (2007, 2012 and 2014). The prices of most vegetables were increased in 2014, which is attributable to the impact of spring floods.</p> <p>Exports of fruits and vegetables in 2014 reached a record value of 290 million EUR, which is 85% higher than average value for the period 2005-2014. Considering the downward trend in the production of vegetables and steady production of fruit, export growth assumed to be a result of decline in domestic consumption due to fall in living standards.</p>
	Net importer	Decreased	
	Self sufficient	No significant trend	
	No significant prod.		
Wine	Net exporter	Increased	<p>The vineyard surface and grape production both are falling since 2010, and reached a minimum of 21 thousand hectares and 122 thousand tonnes in 2014.</p> <p>External trade has a negative balance, both in terms of value and quantity of wine. Wine trade deficit is 12 million EUR, with declining trend since 2006. The import of bulk wine from Republic of Macedonia increasing, since some large wineries from Serbia invested or bought certain large winery with vineyards in Macedonia. These vineyards and winery are used primarily as a raw material base, since the wine imported are processed and bottled in Serbia.</p>
	Net importer	Decreased	
	Self sufficient	No significant trend	
	No significant prod.		
	Net exporter	Increased	

Potatoes	Net importer	Decreased	Potato surfaces, yields and production constantly decreasing. The minimum production of 578 thousand tones was realised in drought 2012 and after recovery in 2013, dropped by 23% in 2014. Starting from 2007 Serbia has permanent growing trade deficit.
	Self sufficient	No significant trend	
	No significant prod.		
Tobacco	Net exporter	Increased	Tobacco crop in Serbia is grown in an area of 5 thousand hectares. The production reached maximum of 10.5 thousand tons in 2014. Thereafter, there was a decline area under tobacco, with oscillations in production. The trade balance in 2014 for the first time was positive (45.3 mill EUR).
	Net importer	Decreased	
	Self sufficient	No significant trend	
	No significant prod.		
Beef and veal	Net exporter	Increased	The number of cattle sharply declined during last decade (17%), reaching its minimum of 913 thousand heads in 2013. In 2014 there is slight increase in number of cattle of 1%. The share of cows in total herd size was also reduced from 56% in 2006 to 50% in 2014. Beef and veal production is also falling in line with the decline in cattle numbers. In the period from 2005-2014 meat production ranged from 70 to 100 thousand tons, with the highest level in 2009, and the lowest in 2013. External trade balance is positive, but with a pronounced downward trend since 2007 year. The maximum value of 27.3 million EUR export was achieved in 2007, while in 2014 it was just 6.6 million EUR. Imports of beef in 2013 for first time exceeded the 0.5 mill EUR, while in 2014 it is expanded rapidly to 2.3 mill EUR.
	Net importer	Decreased	
	Self sufficient	No significant trend	
	No significant prod.		
Pigmeat	Net exporter	Increased	The total number of pigs in recent years tends to decrease. In 2014, the total number of pigs was 3.2 million, representing a decline of 3% comparing with five-year average (2009-2013). The number of sows permanently decreasing, reaching the minimum of 346 thousand in 2014 (11% of total pigs heard size. Compared to the record-high prices in 2013, in 2014 prices fell, mostly due to the large increase of imports. The production of pig meat oscillates, with an obvious negative trend. In 2014 pig meat production was 258 thousand tons, which is a slight growth compared to the previous years. Serbian export of pig meat is low, due to the restrictions of exports on the EU market. The value of exports has varied from 0.05 million EUR in 2005 to 5.9 million EUR in 2012. In 2014 exports rose sharply to 44 thousand tons. Import has continuous tendency of growth, reaching its pick of 36 mill EUR in 2014. In the period 2010-2014 the value of imports jumped fourfold.
	Net importer	Decreased	
	Self sufficient	No significant trend	
	No significant prod.		
Sheep and goatmeat	Net exporter	Increased	Following a slight decrease in the number of heads in the period 2009-2011, sheep farming recovering in recent years and continues growth from the beginning of last decade. In 2014 the number of sheep was 1.7 million, which is 8% higher than in previous year. In contrast, the number of goats is constantly decreasing reaching its minimum of 219 thousand heads in 2014. The annual production of sheep meat is growing in line with the growth of the herd size. The production of sheep meat increased from 20 thousand tons in 2006 to 30 thousand tons in 2013. The trade balance is mostly positive, with growing trend since 2012. The external trade of sheep meat is unstable. The maximum value of exports of 0.5 mill EUR were recorded in 2008 and 2014. A trade surplus of 0.2 mill EUR in 2014 was among highest recorded in whole decade.
	Net importer	Decreased	
	Self sufficient	No significant trend	
	No significant prod.		
Poultry meat	Net exporter	Increased	The number of poultry reached pick of 22.8 thousands in 2009. Since then it is decreased to 17.2 thousands in 2014, close to the level it has at the beginning of period observed. Annual production of poultry meat is about 94 thousand tones and has positive trend. In addition to the sheep meat, poultry meat is the only livestock product with continued growth during the observed period.
	Net importer	Decreased	
	Self sufficient	No significant trend	
	No significant prod.		

			An export of poultry meat is constantly growing. The maximum value of export of 9.2 mill EUR reached in 2014. The value of import was lower than the 0.5 million euros until 2011. In the period 2011-2013 the value of imports for the first time exceeded the value of exports causing negative trade balance (1.5-2.7 mill. EUR). The trade balance in 2014 was slightly positive (0.3 mill EUR).
Milk and milk products	Net exporter	Increased	Number of dairy cows in period 2006-2014 has fallen by 28%. The minimum herd size was in 2013 (of 429 thousand), and has remained about the same in 2014 (437). The decline in the volume of milk production is also continuous. In the period 2006-2013 production has fallen by 10%, but slightly increased in 2014 to 1.5 mill tones (a growth of 2.9%). The record value of exports of 62,6 mill EUR was realized in 2014 (7.5 mill EUR in 2005). The value of imports has varied from 6.9 mill EUR in 2006 to 41.8 mill EUR in 2012. The trade balance is positive since 2006, with maximum value of 26.7 mill EUR in 2014.
	Net importer	Decreased	
	Self sufficient	No significant trend	
	No significant prod.		

3. Agricultural policy development in the country

Agricultural policy concept and frame

Over the last decades the agricultural policy in Serbia has been the subject of heterogeneous and complex pressures - political and economic instability, needs to lessen the negative side effects of weather conditions, and from the second half of the 2000s global market disturbances. In such setting, the priorities and mechanisms of agricultural policy were selected in a predominantly pragmatic manner, rather than in compliance with the strategic documents. Generally, agricultural policy has been driven largely by the need to accelerate productivity growth, while the wider public interests and securing public goods, remained of secondary importance (Bogdanov, 2014).

In recent two years there has been some progress in terms of preparing and adoption legal and strategic documents defining the direction of Serbian agricultural policy for the period ahead. Current agricultural policy is based on several documents governing the operationalization of agricultural and rural development support:

Law on Agricultural and Rural Development Subsidies (LARDS) (adopted in 2013¹) - defines the types of agricultural and rural development subsidies (direct payments, rural development measures and special grants), eligibility requirements, and minimum amounts per subsidy.

The Agricultural and Rural Development Strategy for 2014-2024² (ARDS) (adopted in 2014). The ARDS defines the direction of Serbian agricultural and rural development over the next ten-year period, considering the EU integration process. The following development goals are defined:

- i) Increasing production stability and producers' income;
- ii) Increasing competitiveness and adjustments to the requirements of the domestic and international markets;
- iii) Ensuring the sustainable management of natural resources and environment,
- iv) Improving quality of life in rural areas and poverty alleviation, and

¹ Official Gazette of RS 10/13

² Official Gazette of RS 85/2014

- v) Enhancing public policy management and improving institutional framework for agricultural and rural development.

On January 2015 the European Commission has adopted **Instrument for Pre-Accession Assistance for Rural Development (IPARD)** for Serbia, which paves the way for the EU support to Serbia's rural development over the next six years. Of the various support measures offered to pre-accession countries by the EU under the IPARD, the program is built around six measures: i) investments in physical assets of agricultural holdings - grants for farmers producing milk, meat, fruit and vegetables (43% of the IPARD 2014-2020 allocation), ii) investments in physical assets for processing and marketing of agricultural and fishery products for micro, small and medium-sized enterprises processing milk, meat, fruit and vegetables (36%), iii) Agro-environmental measures – for organic farmers and growers (5%), iv) Implementation of local development strategies (3%), v) The development of private rural tourism facilities (10%) and vi) Technical assistance (3%).

Though the policy objectives and key priorities of ARDS and IPARD are in the line with CAP framework and reflect the national priorities, their realization remains problematic. The main factors contributing to this are disharmonised dynamics in legal and policy framework adjustments and lack of horizontal coordination of various agricultural policy mechanisms.

Examples: According to LARDS, the National Programme for Agriculture and Rural Development (NPARD) has to define the course of mid-term policy developments, but this document still is in preparation phase; the Strategy foresees basic safety-net intervention mechanisms, they are not envisaged by LARDS.

Budgetary support to agriculture

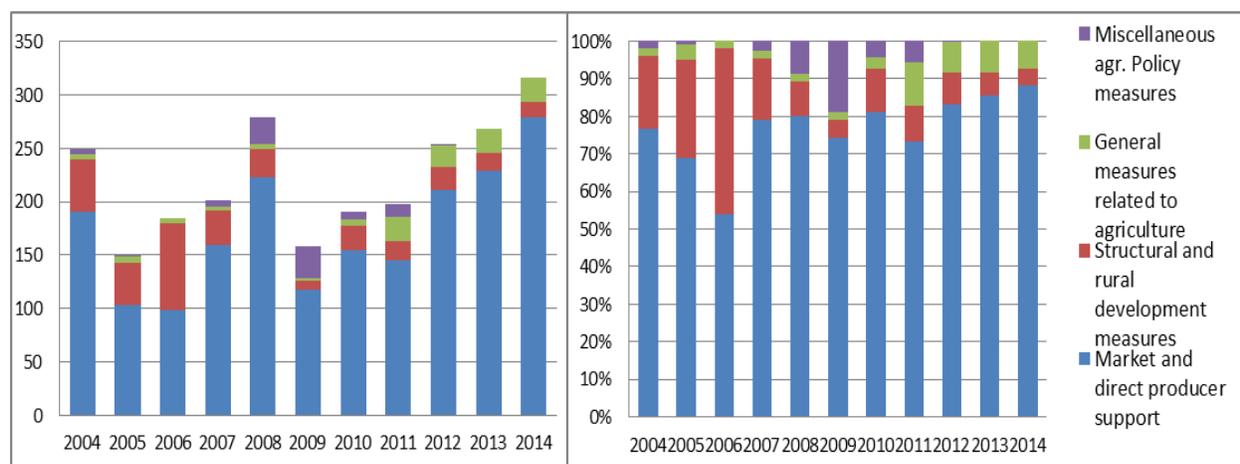
During the reviewed period 2005-2014 period budgetary support to Serbian agriculture varied in both amount and structure. Between 2005 and 2008, the agricultural budget increased from EUR 150 million to EUR 279 million. This is followed by a sharp decline in 2009, but from 2012 budget began to grow and reached its peak of EUR 316.4 million in 2014.

The data for period 2005-2010 include funding from Ministry of Agriculture, Forestry, Hunting and Fishing, Funds for Agricultural Development and Directorate for Agrarian Payments. Since the 2011 the data on realised agricultural budget include funds dedicated for subsidies (Budget line -451 (Subsidies to Public Non-Financial Enterprises and Organisations) implemented by all directorates of Ministry of Agriculture (including Veterinary Directorate, Plant Protection Directorate, Forestry Directorate, Budgetary Fund for Forestry, Budgetary Fund for Hunting, Directorate of Agricultural Land), in order to get full insight in public money spent on agriculture sector. Therefore, figures are fully comparable for the time period 2011-2014.

Still, the high volatility of budgetary transfer mainly are the consequence of instability of the overall budget, caused by the frequent changes in governance structures that led to lack of policy stability and predictability. Besides the often changes in the level of support, there were frequent changes in funding schemes and programmes as well. Generally, in the years when production was hit by adverse weather conditions and/or frequent market oscillations the majority of funding was redistributed toward input subsidies or direct payments per hectare. This approach was applied because the measures to support market stability are not envisaged by law on incentives in agriculture and rural development.

In accordance with the Serbian Budget Law for 2014³ the total funds dedicated to The Ministry of Agriculture and Environmental Protection were 335 mill EUR (3.5% of total budget of RS). This amount is a drop of 15% comparing with 2013 year (0.8 percentage points in the share in total national budget). The funds committed to the Ministry of Agriculture and Environmental protection represent 12% of GVA of the agriculture, forestry, hunting and fishery sector, which is realistic for a middle income country and suggests that there are no room for significant growth of funding.

Figure 4. Serbia: Development of budgetary support to agriculture, 2005-2014

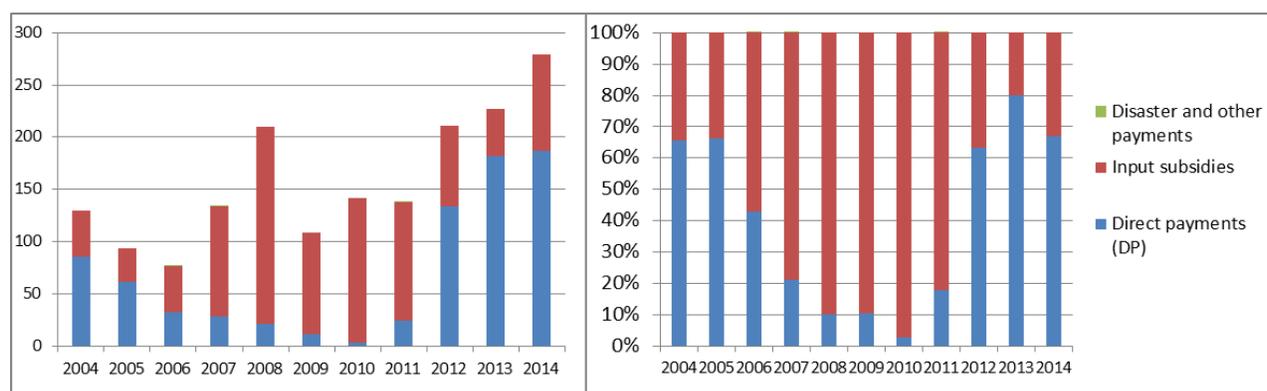
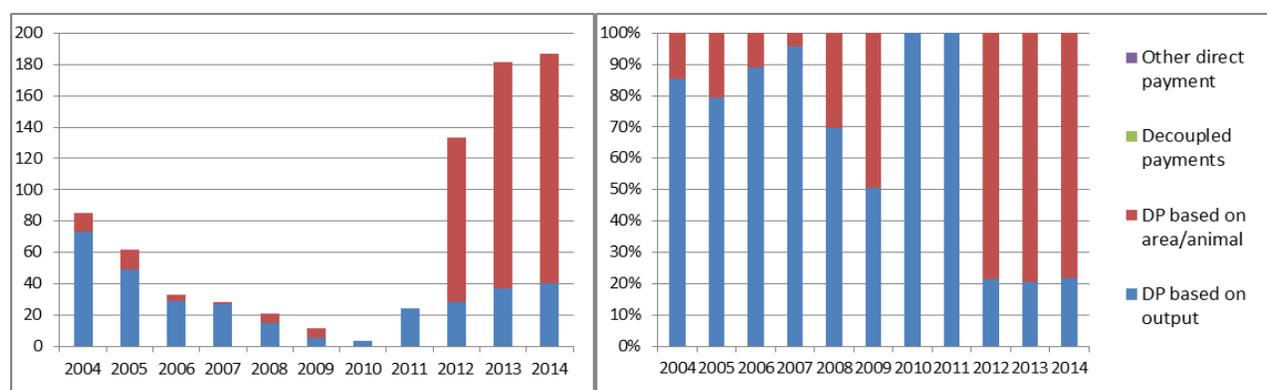
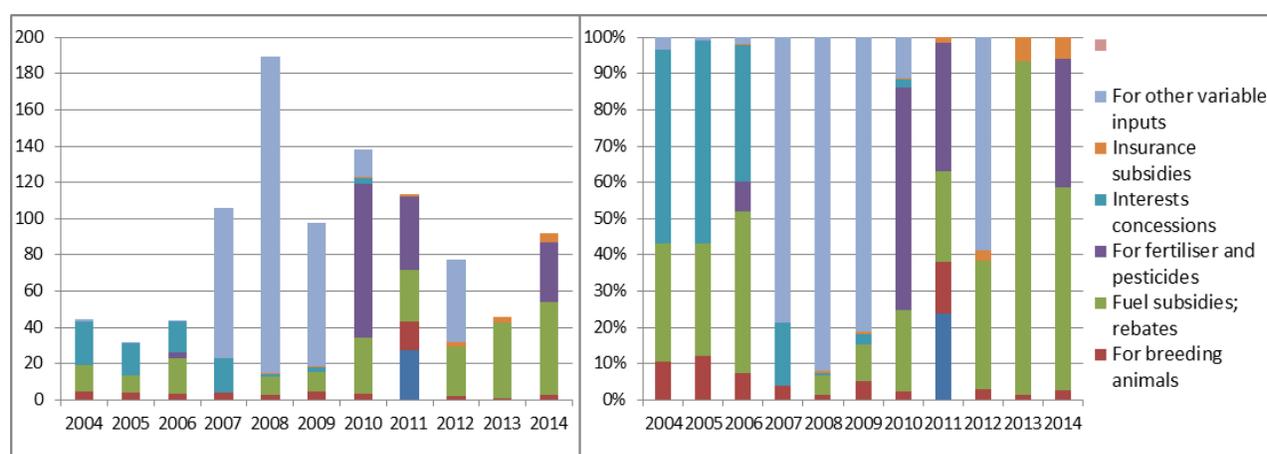


Regardless the reduction in total Ministry's budget, funds to support producers have increased by 18%, reaching maximum of 316.4 mill EUR. This growth is caused by an increase of 21.8% of the funds for market and direct producer support measures. Within this group of measures variable input subsidies risen for more than 100%. To support Serbian farmers in meeting critical needs, repairing plantations, crops, facilities and infrastructure, and helping them for better respond to natural disasters, direct payments in form of variable input subsidies for purchasing seeds, seedlings and mineral fertilizers have been introduced.

The dominant share of budgetary support is directed to market and direct producer support measures. Direct producer support measures have varied significantly from year-to-year. In most cases this has been due to market failures resulting from adverse weather conditions and price fluctuations, but also due to a lack of appropriate strategic guidelines and clearly defined policy framework and priorities. The share of funds for this policy pillar accounted on average for about 77% of total budget in time period 2005-2014 and increased on over 86% on average 2012-2014.

The amount and structure of direct support is extremely heterogeneous, particularly when it comes to variable input subsidies. Such often and radical changes suggest that this instrument was widely used solving urgent needs and coping with the challenges imposed but policy frame and system shortcomings.

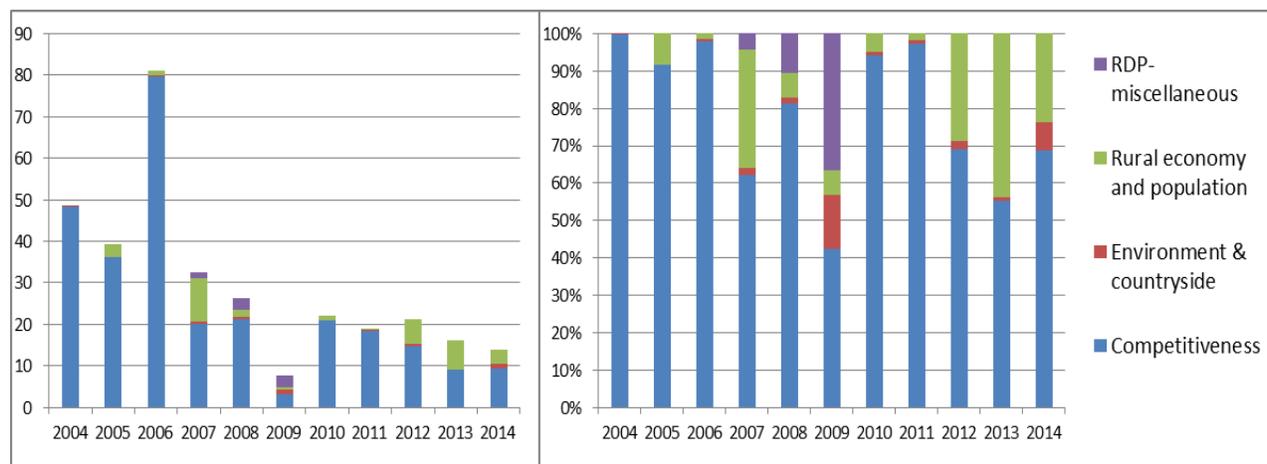
³ Official Gazette of RS 142/2014

Figure 5. Serbia: Development of budgetary support for direct producers support measures (mill EUR)**Figure 6. Serbia: Development of budgetary support for direct payments to producers (mill EUR)****Figure 7. Serbia: Development of budgetary support for variable input subsidies (mill EUR)**

Support to rural development was considerably higher at the beginning of the period, and the measures and programs through which it was implemented were much more diversified. However, the importance of rural development measures was gradually marginalised, reaching less than 1.4% of total budget in 2014. The budgetary support to rural development in Serbia is mostly aimed on on-farm investment

support, implemented through grants for renovation of facilities, farm mechanization and equipment purchase, replanting and expanding of orchards and vineyards and subsidised interest rates.

Figure 8. Serbia: Development of budgetary support for rural development (mill EUR)



The transfers for general services in agriculture 2011-2014 amounted on average 22.5 mill EUR. Under the policy of general measures and services related to agriculture the regular programs of the Ministry for extension services, expert services and food safety control have been implemented. As they are implemented on multiannual base, the funds are more stable in comparison with other group of measures. In last two years there is tendency of slight growth, but decrease in its share in total budgetary transfers (from 11.5% in 2011 to 7.5%) in 2015.

Other transfers to agriculture include a funding of activities financed from the sub-account of different Directorates (Forestry Directorate, Budgetary Fund for Forestry, Budgetary Fund for Hunting, Directorate of Agricultural Land). Some of measures and programs they implemented in last few years could be classified as rural development support (land consolidation, farm expanding, forestry roads), but there is no consistent data on money spent for these purposes. However, it could be presumed that in 2014 addition 2-3 mill EUR from Land directorate budget could be attributed to rural development support.

Table 5. Country: Main agricultural policy instruments and measures; 2005 and 2014

	Implemented	Since 2005, the support has	Significant changes (e.g. main measures, omitted, newly introduced, products/sectors covered, payment criteria etc.)
Market support measures	Yes, regularly	Increased	During the period 2005-2011 various market support measures were implemented in Serbia (export refunds, intervention purchase, financing of operating costs of public reserves and co-financing of storage). The export incentives were the only measure permanently applied until 2011, whereas private storage and emergency purchases were financed occasionally (in the years when adverse weather conditions caused market disturbances). After 2011 market support measures were withdrawn and replaced by direct payments.
	Yes, occasionally	Decreased	
	Not implemented	No significant trend	
	Not significant		
	Yes, regularly	Increased	Input subsidies encompassed various measures, whose share varied over time.
	Yes, occasionally	Decreased	
	Not implemented	No significant trend	

Variable input subsidies	Not significant		<p>Since 2007 input subsidies have become a dominant scheme of budgetary support to agriculture, with share in total agricultural budget ranging from 18% (2013) to 72% (2010).</p> <p>The general tendency in last years has been the concentration of support on diesel fuel and mineral fertilizers. This trend continued in 2014 - the amount of funds for fuel and fertilizer has raised form 42 mill EUR in 2013 to 84 mill. EUR.</p> <p>Besides the subsidies for a fuel and mineral fertilizers, subsidies for breeding animals (2.5 mill EUR in 2014) and insurance subsidies (5.4 mill EUR in 2014) were permanently applied as well.</p> <p>There were frequent changes in the way of operationalization of agricultural policy measures until 2013. By adopting The Law on Agricultural and Rural Development Subsidies in early 2013, the eligibility criteria to budgetary support are defined for a long period. According to Law, any legal person, entrepreneur and natural person who is the holder of a family holding is entitled to variable input subsidies.</p>
Direct payments based on output	Yes, regularly	Increased	<p>The direct payments based on output (price support) are regularly implemented, with considerable fluctuations in funds spent on this type of measures. The main measure is milk premium, which is continually implemented over last decades. In 2014 the amount spent on milk premium was 40.6 mill EUR (10% increase compering with 2013). Since 2012 other measures from this group are abolished. Instead of higher premiums for milk produced in hilly and mountainous regions, since 2009 a flat rate payment per litre has been practised. In 2013 and 2014 the milk premiums were calculated and paid quarterly for cows', sheep's and goats' raw milk, per litre of milk delivered in the previous quarter, in amount of 7 RSD per litre. To be eligible for the milk premium, the beneficiary has to deliver a minimum of 3,000 litres of cows' milk per quarter. In regions with difficult farming condition this requirement is lowered to 1,500 litres of cows' milk per quarter.</p>
	Yes, occasionally	Decreased	
	Not implemented	No significant trend	
	Not significant		
Direct payments based on area/animal	Yes, regularly	Increased	<p>Over the past decade the funds for direct payments per area/animal were gradually decreased, until they disappeared from budgetary support in time period 2010-2011.</p> <p>Since 2012 direct payments on area/animal were reintroduced, with an amount of 44% of total budgetary support in the form of flat rate payment per ha of arable land and subsidies on quality breeding stock. In 2014 on direct payments per area/animal were spent 49% of agricultural budget.</p> <p>In addition to the support per hectare of agricultural land, the direct payments since 2013 include also support for various subsidies on quality breeding stock, on nurse cows, steer/heifer, lamb and pig fattening, beehives and fish farming.</p>
	Yes, occasionally	Decreased	
	Not implemented	No significant trend	
	Not significant		
Decoupled direct payments	Yes, regularly	Increased	
	Yes, occasionally	Decreased	
	Not implemented	No significant trend	
	Not significant		
On-farm investment support	Yes, regularly	Increased	<p>Funds intended to support rural development generally, and thus for on farm investment support, decrease. The average amount of funds in period 2011-2014 compared to 2005-2008 is lower by about 75%. In 2014 the funds for on farm investment support were 9.5 mill EUR i.e. 3.5% of total agricultural budget.</p> <p>The support measures and eligibility criteria were often were changed until 2013. Since 2013 the basic principle introduced by The Law on Agricultural and Rural Development Subsidies is that farms in the remote hilly and mountainous areas and these owned by persons under 50 years old should be given more favourable subsidies. The</p>
	Yes, occasionally	Decreased	
	Not implemented	No significant trend	
	Not significant		

			subsidies are 30 % of the investment value, 45 % of the investment value in areas with difficult farming conditions.
Food industry support	Yes, regularly	Increased	Support for processing and marketing agricultural product includes grants for investments on improving the quality of wine and rakija. Besides investments in quality improvements, some other activities also supported, such as activities of associations of wine/rakija producers in establishing a geographical indication of products, incentives for marketing and promotion activities etc. Such activities in other sectors (fruit and vegetable) were supported through donors' projects and by local governments.
	Yes, occasionally	Decreased	
	Not implemented	No significant trend	
	Not significant		
Environment related payments	Yes, regularly	Increased	The agri environment related incentives in Serbia include payments for maintenance of genetic agricultural resources (per ha/head) and farms engaged in organic farming. Measures aimed at improving the environment and the countryside are rarely implemented. The share of this group of measures is about 0.2% of total budgetary support. In 2014 there was an increase of funding comparing with previous period – 1 mill. EUR, i.e. 0.5% of agricultural budget.
	Yes, occasionally	Decreased	
	Not implemented	No significant trend	
	Not significant		
Rural area support	Yes, regularly	Increased	Enhancing development of the rural economy by supporting diversification of farm income and improvements in infrastructure has small share in total budget. Significant amounts were spent on improvements to rural infrastructure only in 2007 (from the National investment plan budget). Support for enhancing the development of the rural economy was operationalized through incentives for traditional crafts, renovation of facilities and infrastructure for rural tourism, etc. Some of the activities relating to development of rural tourism and infrastructure have also been financed from other funds (budget of the Ministry of Economy, donors' projects and local governments).
	Yes, occasionally	Decreased	
	Not implemented	No significant trend	
	Not significant		
General support measures	Yes, regularly	Increased	The majority of financial means spent to phito-sanitary controls and measures. There have been no significant fluctuations in amounts and structure of financial support, since both funds and activities are defined in the long-running programmes which may be changed in only exceptional circumstances. Financial support for general support measures varied between EUR 21. Mill EUR in 2012 and 22.7 in 2011 The appropriations for expert services and extension was on average 3.5 mill EUR, and 19.2 mill EUR for food safety.
	Yes, occasionally	Decreased	
	Not implemented	No significant trend	
	Not significant		

4. Farm issue

Farm structure and trends

The Census of Agriculture 2012 recorded 628,552 family agricultural holdings and 3000 agricultural enterprises (out of which 386 are cooperatives). Agricultural sector characterize sharply dual farm structure with significant regional variations in farm size and type of farming operations.

The average utilised agricultural area (UAA) per holding is 5.4 ha, with large differences at the regional level, ranging from 3.6 ha in Southern and Eastern Serbia Region to 10.9 ha in Voivodina Region. Forty nine percent of farm households do not have a land or cultivate ≤ 2 ha, while the farms smaller than 5 ha form 78 percent of total farm holdings. Only 3.1% farm households have more than 20 ha and they represent 57% of total UAA.

According to the Census data Serbia has 2.020 million livestock units (LSU). About 77.5 percent of farm holdings had some livestock. The average numbers of LSU per holding (4.1) and per hectare of UAA (0.59) suggest predominance of small herds. Almost a third of households have less than 1 LSU, indicating that livestock production is based on self-sufficiency needs. Regional differences in the average number of LSU per farm follow the pattern of land size - the smallest farms are in Southern and Eastern Serbia Region (2.9 LSU per farm), while it is highest in Voivodina Region (6.2 LSU per farm). Larger, commercially oriented households are in Voivodina, where 10% of total numbers of farms with livestock are above 10 LSU per farm.

The Serbian agricultural sector employs 1.4 million people. The total number of annual work units (AWU – corresponds to the work performed by one person working on an agricultural holding on a full-time basis for one year) in 2012 was 646,283, i.e. 1.02 per holding. In regional terms, the population pressure (man-land ratio) is more favourable in Vojvodina (11.7 ha of UAA per AWU) comparing to southern Serbia (3.6 ha of UAA per AWU). The average age of the farm holder is 59 years, with 35 percent of farmers over 65 years of age and 65 percent over 55 years of age. Only 4.6 percent of farm holders are under 35 years of age with 10.5 percent being 35-45 years old.

Average SO per holding is 5,900 EUR. 45.9% of households are with SO less than 2000 EUR per farm. Regional differences in the amount of the SO per farm and the AWU are very high, indicating that both indicators are more favourable in Vojvodina compared to all other regions (including Belgrade).

Table 5. Country: Main farm structure indicators, 2012

	2012
UAA per holding (ha)	5.4
Holdings with UAA < 1 ha (% of total)	28.2
LSU per holding with LSU	4.1
Holdings with LSU < 1 (% of total)	32
SO per holding (EUR)	5,918
Holdings with SO < 2000 EUR (% of total)	45.9

Generally, from regional perspective small and semi subsistence farm holdings are concentrated in the southern part of country, while sectorally they are mostly involved in fruit and vegetable, cereals, and less in fodder crops. About 80% of employed in agriculture (expressed in AWU) are on subsistence units - holdings of less than EUR 2,000 of standard output (SO). Conversely, in northern region (Vojvodina), more than 75% of farm labour works on farms that yield more than EUR 250,000 annual standard output (Bogdanov, Babović 2014).

Only 12% of farm holdings are involved in on-farm income diversification. Characteristics of these farms are: 65% are run by farm managers aged over 55 year old, predominantly located in the southern part of country (over 85%), have SO of less than EUR 4,000 and in terms of specialization are the farms with livestock or mixed production systems (crops and vegetables, mixed livestock, mainly for dairying). The figures above suggest that pluriactive are small or medium family farms, looking for complementary incomes and coping mechanism in agriculture (Bogdanov, Babović 2014).

Policy related to the farm issue

The farm restructuring process in Serbia took place spontaneously, slowly, with inadequate and unclear message of government to the farmers and investors.

Agricultural policy has not adequately responded to the need to faster the structural changes. Measures of support for acceleration of structural changes were poorly chosen and occasionally implemented (i.e. flat rate incentives for “passive” farmers with aim to activate land lease market, subsidised interest rates for long term credits etc.). The fact that Serbian farm structure is quite diverse in terms of physical and economical size, type of farming and income generation, implies that more diverse and better-targeted support measures are needed, rather than “one size fits all” support.

The key challenges for agricultural policy related to the farm restructuring include:

- The current emphasis on support for area and animal headage payments (over 90% of transfers to producers) enable larger benefits to big farmers, while small and medium remain deprived in an effort to reform to modernize and increase farm size. Besides, funds for on farm investment support were extremely low and the conditions for their utilization too complex for most of the holdings of medium and small size.
- In addition to the conceptual flaws and lack of funding, significant obstacles to more dynamic structural changes are shortcomings in operation of budgetary support. One of the biggest problems is the low coverage of farms and agricultural area by the farm register. The number of beneficiaries of budget support (indicated by active farmers registered in farm register) is low (310-320,000, i.e. around 50%), as well as area they cultivate (around 1.2 million hectares).
- The profound regional variations in farm structure are not adequately treated by budgetary support: Budget support dominates by variable input subsidies for crops, resulting in unbalanced benefits among regions. Such budget structure is more favourable for the beneficiaries in Voivodina, which have largely been covered by the farm registry and due to the larger physical size of farms in this region.
- Although for the holdings in less favourable areas there were higher compensatory allowances, the list of support measures has not been adjusted to the types of production prevalent in such areas and their specific needs.

Given the demographic profile of Serbian rural population, and developments in labour market, it is not only on agricultural policy to contribute farm restructuring. In order to achieve growth of competitiveness, the farm sector needs exit options for the considerable labour surplus on family farms. The slow dynamics of restructuring and developments in other parts of the Serbian economy since 1990s are not in favour to rural labour market. Therefore, horizontal coordination, mix of various social and rural development programs needed to accelerate process of inter-generation transfer of (scare) farm assets.

EU integration process

The Republic of Serbia signed the Stabilization and Association Agreement (SAA) with the European Union on April 2008, and applied for EU membership on 22 December 2009. The European Council passed a decision to grant Serbia the candidate status for EU membership on 1 March 2012, while on 28 June 2013 it decided to open the accession negotiations with the Republic of Serbia. A Serbian EU accession negotiation was formally commenced on 21 January 2014. The screening process for Serbia began in September 2013 and was completed in late March 2015.

The harmonization of policy frame is set as a priority for policy makers, and in this regard progress was made. This progress, as stated previously, was not accompanied by parallel efforts to adopt policy mechanisms. So, the alignment of legislation and procedures could not be considered as an achievement *per se*, as long as it is not fully implemented. Serbia is already applying some CAP-like agricultural and

rural development policy instruments, but support measures are not in line with the *acquis*. In general, alignment with the *acquis* remains at an early stage and progressing slowly.

Until recently, progress towards actual IPARD implementation was hampered by delays in setting up the required operational structures. Recent months have brought considerable progress on most pending issues - the relocation of the Directorate for Agrarian Payments (Paying Agency) has taken place in February 2015, the activities on defining minimum of national standards are underway and staff recruitment has gathered pace.

Based on experience of previous accession, creating the environment for good fund absorption is the key factor for IPARD effectiveness. Currently, the major challenges for Serbia include: (i) continued commitment to the work on IPARD structures; (ii) recruitment and training, and (iii) the preparation of the wider public, especially the beneficiaries and rural finance institutions, for the absorption of IPARD funds which remains crucial issue. However, 2016 remains the target year, yet at this stage it is too early to say whether the timeline can be kept.

5. Strength and weaknesses of agriculture

Key policy challenges and objectives

During last decade Serbian agriculture has been characterized by stagnation (or slowing growth), significant increase in export and relatively high share of food expenditures in total household's spending. This paradox indicates existence of structural imbalances and constrains within value chain, as well as a lot of room for further developments.

Analysis of GAO change by sectors shows that herd size and livestock production are falling (as is livestock GAO), while in crop sub-sector GAO varies in terms of its size and composition. Both the sectors output and export growth in last decade are based on several group of commodities -cereals, industrial crops and fruit and vegetable. Such context indicates that huge and diverse agricultural resources are poorly used.

Trade liberalization, as a step towards EU accession, and new trade agreements with non EU countries, contributed to changing Serbia's international trade patterns. These changes exposed the agricultural sector to high competition, raising the question of its ability to compete on domestic and international market. Recent data shows that export competitiveness of agriculture sector exhibit the higher comparative advantages than other industries, as it is the only single sector with positive trade balance. Still, while the competitiveness of many agricultural commodities is high, it is not the case with the food industry - the structure of exports dominates by primary agricultural products (about 79%), as well it is with imports (65%). On the other hand, share of processed agricultural products in exports amounts of only about 20% (28% in import) while the share of fish and fishery products in exports is less than 1% (7% in imports).

The prevalence of small-scale farms is the key obstacle for more dynamic growth. While Voivodina has experienced more dynamic structural changes and has favorable farm structure (higher proportion of larger farms), southern parts of Serbia are constrained with less favorable land, unfavorable farm structure and underutilized agricultural resources. Such wide regional differences in the farm size and type of farming operations are not properly addressed by agricultural policy.

The current policy framework with a strong emphasis on direct support for area and animal headage payments and modest funding of rural development measures, hampered more dynamic restructuring of small and medium-sized farms. Over 90% of agricultural budget was allocated to direct payments and used mostly by larger farmers, causing that structural reforms on huge number of small and middle size farms were blocked.

Unbalanced support also contributed that farmers in northern part of country (Voivodina) received bulk of funds, worsening (already deep) regional disparities. Up to now, farmers in marginal rural areas have not been sufficiently benefiting agricultural policy. Although for the holdings in less favourable areas there were higher compensatory allowances, the list of rural development support measures has not been adjusted to the types of production prevalent in such areas and their specific needs.

The agricultural policy concept and framework are strongly marked by the general political and economic developments. The amount, structure and implementation mechanisms of budgetary support are all instable, reflecting lack of strategic direction and clear messages to users. Such an approach is neither effective, nor it can properly addresses constrains on sector development.

Adjustments of domestic agricultural policy to the CAP so far were unsystematic, partial and insufficiently coordinated. In such circumstances, without a synergetic effect of policy reforms, regardless of its amount budget was badly used. Moreover, some reform changes were made hastily and provoked strong (direct and indirect) consequences on dynamics of structural reforms and investment climate (i.e. premature market liberalization, allowing agriculture land to be sold to foreigners etc.).

Policy recommendations

1. ***To extend the basis for sector growth, by including more farms, more land and more sub-sectors with potential to growth.***
1. *More farms and more agricultural land has to be supported* A farm structure dominates by small to medium sized farms with mixed income. Majority of farms are too small and inefficient to be competitive, both for export and on liberalized domestic market (dairy sector, pork and beef).
 - A particular challenge for policy decision makers is to boost productivity growth on huge number of small and mid-size farms (5-20 ha). Many of these farms have mixed incomes and are doubly constrained with lack of employment opportunities out of agriculture and the slow process of farm consolidation. Agricultural policy should prioritize those farms, particularly with a vital labor force and demonstrated interest in modernizing and increasing farm size.
 - Letting farmers access to budgetary support for both owned and leased land is key instrument to expand farm size. Given that the land leasing contribute to farm expansion and land consolidation, from the perspective of its rational use it is unacceptable to be excluded from support. The eligibility requirements for beneficiaries have been changed several times (and still are problematic). Since 2015 the right to direct payments has been limited to 20 hectares per farm, aimed to restrict the funding of big producers. On the other hand, the criteria in terms of class and category of land to be supported have not been defined and harmonized with the land cadaster, indicating systemic obstacles to a more rational use of funds.
 - The management of state-owned land and unsolved property rights over land that was in cooperative ownership are the subjects of the debates and still are not resolved. Public debates are taking place in an atmosphere of fear that there are risks of elite to capture large land plots. Equal access to land (elimination of restrictions on land markets) and protection of property rights have to be secured in order to speed up land consolidation and farm restructuring.

2. *New commodities and subsectors has to be targeted by better guided core support programs*
 - The animal breeding is one of the most promising sectors. Regardless of a decrease in purchasing power of the consumers and the sharp decline of herd size in last decade, animal breeding has a long tradition of high quality production and the potential for becoming a growing and high quality, competitive industry. The lack of possibilities to export fresh meat has prevented the development of meat sector. The recovery of this industry (by control and eradication of classical swine fever) should contribute to more stable prices and production in the primary production and further increase of export.
 - Northern part of central Serbia has favorable conditions for mixed crop–livestock farming, organic farming and fruit production. To speed up the farm restructuring in this region is not a matter of only the relative size of support to direct payments and rural development. It requires the coordination of a broader range of activities and involvement of different actors (early retirement scheme, flat rate support for small farms, agri-environmental schemes, strengthening value chain).
 - Besides the high competitiveness of many agricultural products on international market, the processing industry performances for many commodities are low. The competitiveness of some sub-sectors have been built on existence of large and highly protected domestic market (meat, dairy products, some vegetable) while others rely on the success of a small number of big drivers (sugar, vegetable oils). With the liberalization of the market, these industries will be exposed to strong competition. This indicates that structural reforms along the entire value chain needed, rather than direct producers support.

2. ***The better selection of rural development measures and their proper targeting are needed to address regional disparities and urgent structural reforms***
 - Deep and growing regional disparities in natural resources, farm assets and type of farm operations, have to be taken in account in order to make sure equal treatment and balance needs of all policy beneficiaries. For achieving this goal, policy decision makers have to be more sensitive to the fact that investing in agriculture is not only investing to meet its economic objectives, but is also about creating more favorable social structure and public goods. Therefore, redistribution of budgetary funds between area/animal direct payments and rural development and structural measures is essential.
 - There is a legitimate fear that farm investment support (which dominates second pillar) and upgrading of food processing facilities, will be largely assumed by larger farms from more developed regions. Hence, it is important to create measures that would secure benefits for small farmers and these in marginal areas in order to increase their integration into market chain and reduce income risks. The measures that support farm income diversification, access to social and financial services, as well as and the provision of safety nets have to be considered in order to increase the resilience of smallholder farming.
 - Higher labour productivity is the key to increasing low competitiveness of large number of (semi) subsistence farms. This objective requires facilitating changes in farm structure by capitalization and modernization of farm resources, as well as by the reducing hidden unemployment. The young farmer's schemes have to be introduced and inter-generational transfer of assets encouraged. Considering a demographic developments, set of instruments (from different politics) have to be implemented to boost the young farmers to overcome barriers to enter agriculture. Such measures will contribute to activation of land market and more dynamic structural reforms (besides positive social impacts).

3. A policy shift is needed in order to ensure a more effective allocation current policy frame to which both producers and administration get used.

- Budget support for agriculture last decade fluctuated within a range of 4-5% of total public expenditure, staying in last few year on 3.5%. Comparisons with other countries show that relative size of budgetary support (per ha, per farm) in Serbia are much lower (Volk, 2014). On the other side with approximately 12% of sectors GVA, it seems that the amount of agricultural budget is realistic for current position of Serbian economy. However, the debatable effects of past and latest developments in policy support, justifies the need to create system that will maximizing the effectiveness and efficiency of public expenditures for agriculture.
- It is necessary to align and enforce programing documents, but also be clear about decision on what has to be achieved by budget support. The increase in budgetary support without clearly defined objectives and indicators for monitoring their implementation does not make sense.
- Volatility in budget expenditure, both in terms on an annual basis and support measures, reflect the weak conceptual understanding of the links within agri-food sector. Some of policy measures and support schemes have to be reassessed in terms of their ability to contribute to the achievement of projected objectives (i.e. the milk premium resulted in relatively high producer prices, but still has failed to prevent decline in dairy cow numbers and milk production).

4. Activities related to EU integration should be better coordinated, guided by more clear objectives that prioritized national interest

- Recent dynamic changes in agricultural policy, in terms of legislation, the conceptual framework and the introduction of new types of support, all are driven by the progress towards EU integration. Some of these solutions are unconditionally accepted, without taking into consideration national priorities, specificities and capacities. As the Serbia has candidate status (which is only a preliminary stage in the EU accession process), and not obliged to align agricultural policy with the CAP before EU accession, policy decision makers have more proactively address internal unsustainable structural misbalances with a detrimental effects on the agri food sector performances and rural livelihoods, securing gradual alignment scheme.
- The support measures used in pre accession period should be those that will increase competitiveness to efficiently face the wide EU market. Therefore, more efforts has to be put on harmonization of different politics and policy instruments that facilitate reform of farm structure, encourage investments, strengthen value chain and preserve rural social structures. The current emphasis on area and animal payments, commodity (milk) subsidies and input (fuel) subsidies preserves current farm structure and reduces the budgetary funds available for investment.
- Building the institutional settings required by the EU for delivering IPARD program is urgent topic. Creating the setting for good fund absorption is key factor for effectiveness of IPARD. Up to now days these efforts were focused on building the institutions for program supervision and implementation. Limited attention has been given to administrative job related to the complex application process, financial instruments, and on promotion of program for amongst potential users of support.

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