

Interim report on agricultural policy developments in WB

“Serbia: Agricultural Policy Development and Assessment”

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JOINT RESEARCH CENTRE

Institute for Prospective Technological Studies (IPTS)

Background

The overall objective

- to provide information to understand the recent developments in Serbian agricultural policy

Specific objectives:

1. Review of the main valid strategic and programming documents (with the emphasis on the measures to be implemented in the future)
2. Examine the budgetary transfers by policy pillars and group of commodities
3. Present the system of direct payments to highlight the changes in the implemented measures and eligibility criteria
4. Evaluation of implementation of agricultural policy documents

Background

Methodological approach:

- *Qualitative Content Analysis (QCA)* of the strategic and programming documents regulating the current agricultural policy framework
- *Quantitative analysis of budget transfers* by pillars policy and group measures using the APM model for model for clustering support measures to the corresponding group

Strategies and programming documents of agricultural policy

The policy and budgetary framework

- The Strategy on Agriculture and Rural Development and corresponding laws (The Law on Incentives in ARD, The Law on Budget of the Republic of Serbia)

The operationalization of agricultural policy support – regulated on annual basis

- The Regulation on the Allocation of Subsidies in ARD
- Annual rulebooks on conditions and way of exercising the right to support for particular measures

The absent, weak, or poorly defined the benchmarks and targets, the lack of institutionalised monitoring and evaluation system

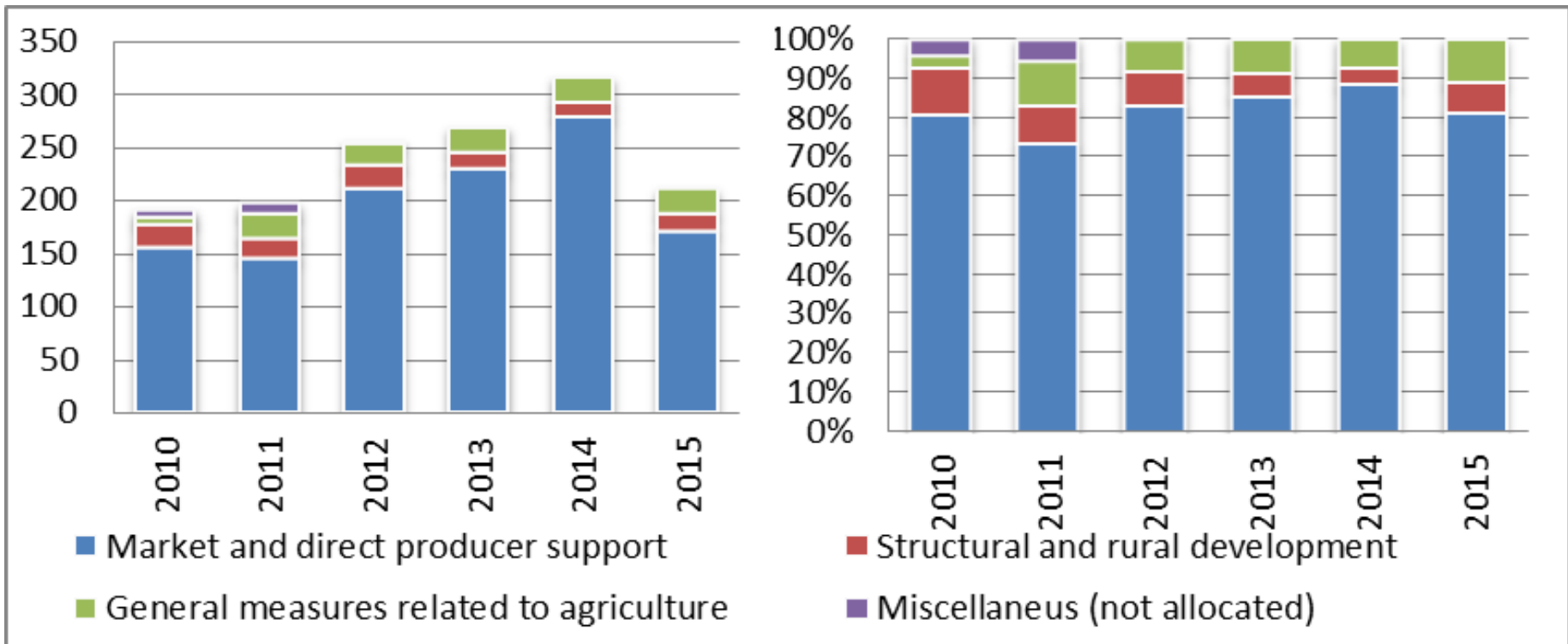
Strategies and programming documents of agricultural policy

The amount of budgetary support is roughly defined by Law on Incentives in ARD

- The maximum amount of DPS depend on available resources...
- The manner of determining the maximum incentives is defined for the milk and quality breeding dairy cows
- The level of DP depends on whether they are intended to the areas with difficult working conditions in agriculture (not the case with the credit support)

Agricultural policy development

- Agriculture Orientation Index (AOI) of about 0.5
- The total funds in 2015 fell markedly (by 33%)
- The most cuts on direct payments (falling of 38%).
- The funds for rural development increased (from 4.1 % to 7.8 %)
- Funding of general support measures remained at the same share (23%)

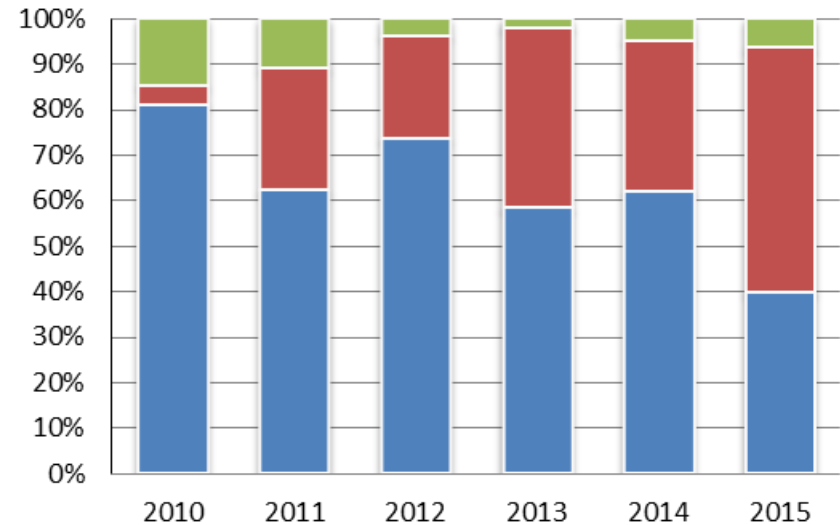
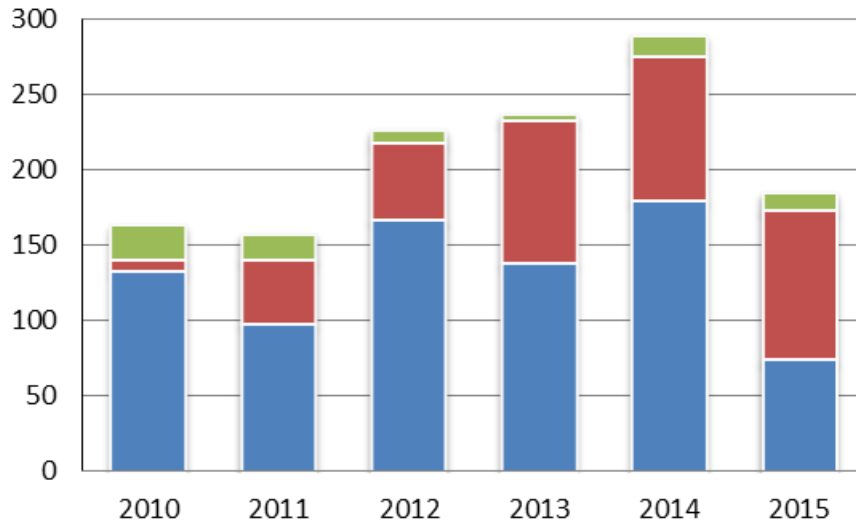


Agricultural policy development

The reduction in direct payments also included a change in their allocation

- increasing the number of measures (products), the absolute amount, and the share of support to livestock producers
- the commodity payments for crops decreased in 2015 by nearly 60%, while commodity payments for animal products increased by 3%.

Transfers to agricultural producers (PSEb) by groups of commodity (mill EUR)



■ Commodity payments - crop ■ Commodity payments - animal

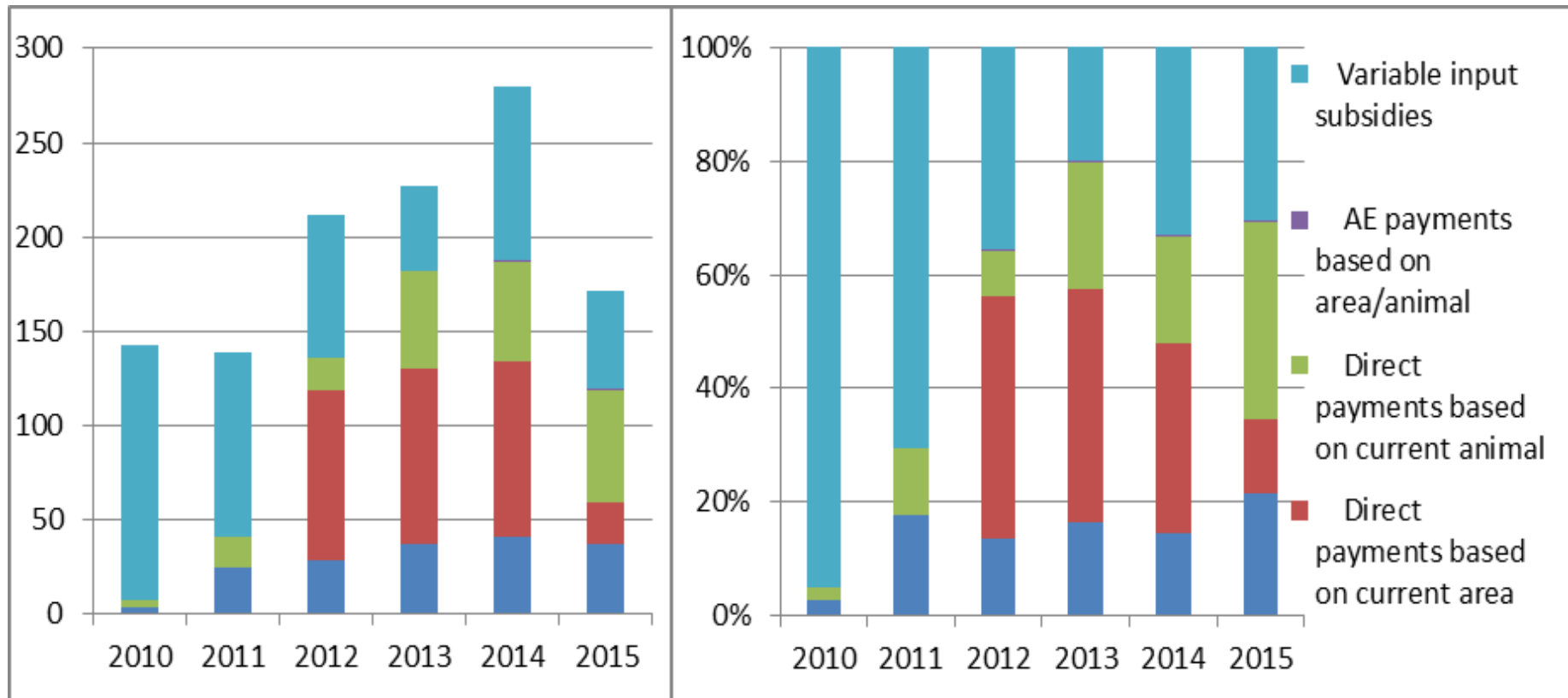
■ All commodity payments

Agricultural direct payments

- ***Direct payments dominate the agrarian budget***
 - 70-88% of total budget in period 2010-2015 (81% in 2015)
- ***The changes in the implementation***
 - beneficiary eligibility criteria
 - products covered by the support
 - amount of annual incentives
- ***Sharp decline of funds in 2015***
 - direct payments based on current area/animal - from 146.1 in 2014 to 82 mill EUR in 2015
 - input subsidies - from 92.2 to 52 mill EUR
- ***Budget cuts were not equally allocated to all sectors***
 - the direct payments per head increased by 13%,
 - direct payments per hectares decreased by 76%,
 - fuel subsidies decreased by 51% and fertilizer by 29%

Agricultural direct payments

Direct payments to producers per group of measures (mil EUR)



Agricultural direct payments

Payments based on output (price aids)

- The required eligibility criteria and the amount of incentive varied
- The flat rate payments;, the lower threshold for delivered milk was introduced for the areas with natural constrains since 2013
- The amount of funding in 2015 increase by 10% compering to 2014

Direct payments per hectare

- introduced in 2013, replacing the part of previously used input subsidies for fertilizer and fuel
- flat rate payments for arable and permanent crops
- a constant decrease in the amount of incentives (from 56.8 to 49.3 EUR per ha)
- in 2015 drastic cut of the maximum area that is eligible for this support (from 100 ha to 20 ha)

Agricultural direct payments

Direct payments per head

- Since 2010 *for breeding animals* - cow, sheep, goats and indigenous livestock
- since 2012 support extended to *fattening cattle and pigs*;
- since 2013 include beehives, various types of *parental poultry and fish farming*

Input subsidies

- the concentration on diesel fuel and mineral fertilizers since 2013
- the sharp decline in the amount of funds in 2015 (from 84.3 mill EUR in 2014 to 48.3 mill EUR in 2015)

Decline of sDP support from 136 EUR/ha in 2010, to a maximum of 74 EUR/ha for those who cultivate less than 20 ha, or 50 EUR/ha for others

Assessment of implementation of agricultural policy documents

A progress in setting up institutional structures and adjusting the agricultural policy concept to the CAP

The weakest links is the lack of an evaluation and monitoring system, benchmarks and targets

- Redistribution of funds carried out based on the funds available, regardless of the needs of individual sub-sectors, without transparently predetermined criteria

The continuity of support measures in terms of measures to be applied, but no in terms of the amount of incentives and types of users

- ... still, some of the measures envisaged by the Law on Incentives in ARD have not been funded

A lower realization of support measures for rural development

- delays in payments, suspension or delay with public calls

Conclusions and policy recommendations

- ***The system of policy coordination and implementation does not guarantee the rationality and effectiveness of budgetary support***
 - The lack of willingness to make a clear political decision on the priority policy objectives choosing between competitiveness and equity
- ***The DP scheme is not done on objective and valid baseline indicators***
 - *the objectives of certain measures are vague*
- ***The direct payment support only partially complies with CAP***
 - Most of the selected measures implemented with very simple requirements and low thresholds; make very little contribution to policy objectives
- ***The dual structure of agriculture is not well reflected in the support measures and conditions for eligibility for support***
 - The "lump-sum payment" have no contribution to broader sector goals (structural changes, higher competitiveness, public goods, etc.)
 - Support measures tailored to small farms and their needs are not created
- ***A better fit between income support role of direct payments and policy objectives related to provision of public goods is needed***

SRD
SUGARMS



Thank you for your attention!