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GAIN Report

Global Agricultural Information Network

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Serbian Agriculture Overview and Best Prospects - 2015

Report Categories:

Agriculture in the Economy

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Report Highlights:

In 2014, agriculture accounted for 9.1% of Serbian GDP, compared to the EU 27 average of 2%. Agriculture is one of the most important export sector in Serbia, accounting for approximately 21% of all Serbian exports and enjoying a surplus of US\$ 1.30 billion in 2014. In 2014, Serbia's total agro-food imports from the United States were US\$30.2 million, almost the same as last year. U.S. agro-food exports consisted mainly of almonds, tobacco, corn and vegetable planting seeds, dietetic foods and concentrated proteins without dairy fats, alcoholic and non-alcoholic drinks, frozen fish, snacks and dry fruits.

General Information:

Agriculture in Serbia is at the heart of the economy and is an engine for development of rural areas. Agriculture's contribution to Serbia's GDP remains high. In 2014, agriculture accounted for 9.1% of GDP, compared to the EU 27 average of 2%. This can be attributed mostly to Serbia's fertile land and favorable natural conditions for agricultural production, as well as the continued importance of the rural economy to Serbia's population and delays in structural reforms in other sectors of the economy. According to the Serbian Statistical Office, there are 680,000 people employed in agriculture or 21% of the total labor force in the country. Agriculture also is the most important export sector in Serbia, accounting for approximately 21% of all Serbian exports and enjoying a surplus of US\$ 1.30 billion in 2014, about 5% higher than in 2013. Approximately 60% of Serbia's agricultural land is used for cereal crop production including corn, wheat, barley, sunflowers, soya, and sugar beets. Serbia's major agricultural land is in the northern part of the country; Vojvodina accounts for 84% of total cultivable land in Serbia. Serbia has 5.05 million hectares (HA) of arable land. Approximately 90% of Serbia's arable land is privately owned and 10% belongs to the government. According to the Serbian Agriculture Census from 2012, there are approximately 630,000 registered agricultural entities of which approximately 99.6% are family households and 0.4% are legal entities. The average family holding is 4.5 HA.

In 2014, the total value of Serbia's agricultural production reached US\$4.7 billion, or 10% lower than in 2013, mostly due to heavy losses caused by record floods in May 2014 that mostly damaged vegetable and fruit production. Crop production, which accounts for 62.1% of total production, was not affected by the floods and increased by approximately 20% compared to 2013, mostly as a result of the record corn crop. Corn production is valued at US\$1.2 billion annually (7.5 million MT). Wheat is the second most cultivated cereal valued at US\$500 million (2.4 million MT). Sunflower production is valued at US\$430 million (500,000 MT per year) and soybean is value at US\$130 million (460,000 MT). It is one of the most important agricultural crops for Serbia. Sugar beet production, valued at US\$290 million (3.1 million MT), is another important Serbian crop. Considerable revenues (US\$520 million annually) also come from the fruit sector, especially apples (US\$149.5 million) and raspberries (US\$143 million). Serbia's livestock production represents approximately 35-40% of the total value of Serbia's agriculture production. It was valued at US\$1.70 billion in 2014, the same as in 2013. Proportionally Serbia's livestock sector is divided as follows: pigs US\$700 million (41%), cows US\$680 million (40%), poultry US\$240 million (14%), and sheep US\$85(5%). Serbia's food processing industry remains an attractive sector for investment, given the country's natural resources and traditional production background, but the industry still lacks modern technology.

The Ministry of Agriculture and Environmental Protection is responsible for the Government's strategy in the field of international and domestic agricultural trade, food processing, rural development, environment, forestry, and water management. Although the Serbian Parliament adopted the Law on Incentives for Agriculture Production and Rural Development in January 2013 stipulating that the agriculture budget could not be less than five percent of Serbia's total budget, the Serbian Government adopted in December 2014 a final budget for 2015 of 1.12 trillion dinars (USD 10.9 billion) and only allocated 41.44 billion dinars (USD 406 million) to agriculture. This is only 3.7% of the total adopted budget and a significant decline from last year (more than 10%), but is attributed to overall budget restrictions.

In February, 2015, the Serbian Government adopted the Rulebook on the Allocation of Subsidies for Agriculture Production and Rural Development Measures for 2015. The rulebook covers direct incentives, rural development support, credit support and special incentives for investments in agriculture. The Ministry of Agriculture announced the following policy measures to support agricultural production: subsidized short and long-term loans for registered farmers; funds for development and improvement of livestock-farming (25,000 dinars/head, approximately USD 240/head) and breeding efficiency, preserving genetic resources and increasing milk production (7 dinars/liter of milk, approximately USD 0.07/liter); production incentives for wine, brandies and foods with designated geographic origins; subsidies for building and improving grain storage capacity and transshipping; and subsidies for organic food production.

For 2015, over 50% of the agriculture budget or approximately 24.5 billion dinars (USD 230 million) will be used to cover production subsidies (mainly for milk, livestock, and fruits), 7 billion dinars (USD 67 million) will be dedicated to diesel fuel payments and certified seed refunds to registered farmers, and 8 billion dinars (USD 78 million) will be for new investments in the food and agriculture sector, such as supporting further processing of agricultural products (e.g. new storage facilities, including cold storage for fruits and vegetables, as well as new processing capacities and incentives to modernize livestock production).

In July 2014, the Serbian Government adopted a new Agricultural and Rural Development Strategy for the period 2014-2024. The strategy, a requisite for receiving EU funding, sets guidelines for adjusting Serbia's agriculture to meet EU and WTO requirements and defines the basic reforms that are needed in the agricultural sector. The strategy is focused on reforms that will improve Serbia's business environment and competitiveness, raise living conditions, and introduce greater stability for Serbia's farmers in rural areas. According to the Ministry of Agriculture, Serbia needs to define budgetary incentives and adopt laws and rulebooks that facilitate agricultural development, as well as greater farmer training and exposure to new technologies. In addition to the Agriculture and Rural Development Strategy, the Ministry of Agriculture is currently preparing the National Development Programs that will be valid from 2015-2020, with more specific measures for implementing the Agriculture and Rural Development Strategy.

Since 2001, as part of the EU integration process, Serbia has been adopting new legislation in the area of agriculture and food mostly in accordance with the *Acquis Communautaire* of the EU. From 2009 to 2014, the Serbian Ministry of Agriculture, Forestry and Water Management adopted 25 new laws and approximately 80 sub-laws that enable implementing of the new laws adopted since 2009 relating to agriculture and food. These framework laws and sub-laws will improve the overall environment for agricultural producers in Serbia and will ensure Serbia's practices are in greater conformity with the EU and in compliance with the rules outlined by such international organizations as the World Trade Organization (WTO) and the International Union for the Protection of New Varieties of Plants (UPOV). However, the 2009 Law on Genetically Modified Organisms (GMOs) that bans the cultivation and use of these products without a scientific review process is not in line with EU or WTO regulations. Until this law is amended to comply with WTO rules, it remains an obstacle to Serbia's WTO accession.

Effective January 1, 2014, per the Stabilization and Association Agreement (SAA), approximately 95% of all EU agriculture imports became duty free effective January 1, 2014. The remaining items now

have an average duty rate of 0.99%, although the rate is significantly higher on certain sensitive agricultural commodities. These products include honey, fresh tomatoes, peppers, potatoes, leafy greens, cucumbers, fruits, dry plums, live animals, fresh/chilled/frozen meats (except turkey and goat meat), processed meat products, pasta, wheat, corn, sugar, edible sunflower oil, fruit juices, fruit jams, fruit brandy and most dairy products. Tariffs on these products will not be changed until Serbia becomes a full member of the European Union. However significant reductions in customs tariffs were introduced for some agricultural products: beef (from 15% to 12%), pork and poultry meat (15% to 9%), and cheeses (15% to 10.5%). Also, tariffs on bovine milk were completely eliminated. The gradual liberalization of custom tariffs between Serbia and the EU began in 2009 and included a 6 year phase-in period (until 2014). Full liberalization should occur when Serbia becomes an EU member. Serbia also has Free Trade Agreements (FTA) with the Russian Federation, Turkey, Belarus, Kazakhstan, and countries from Central European Free Trade Agreement (CEFTA), Albania, Bosnia and Herzegovina, Macedonia, Moldova, Montenegro, Serbia and the United Nations Interim Administration Mission in Kosovo (UNMIK) on behalf of Kosovo.

Serbian agriculture and food trade partners:

| | Exports | Imports |
|------------------------|---------|---------|
| EU | 58% | 45% |
| CEFTA | 37% | 23% |
| OTHER COUNTRIES | 5% | 32% |

Source: Serbian Ministry of Agriculture

Serbia’s agro-food exports increased by 5%, reaching a value of US\$ 3.3 billion in 2014 compared to 2013. Agriculture is the most important export sector, accounting for almost 21% of all Serbian exports and enjoying a surplus of US\$ 1.30 billion (5% higher than in 2013). The European Union remains the most important trading partner for Serbia. Exports to EU countries accounted for 58% of Serbia’s total agricultural exports, whereas imports from the EU represented 45% of Serbia’s total agricultural imports. Since 2001, Serbia’s agricultural exports have enjoyed preferential EU access. Serbia's agricultural exports consist mostly of grains, sugar, fruits and vegetables (fresh and frozen), confectionary products and beverages. In terms of export value, the following are the most important: grain and grain products (US\$800 million), processed fruits and vegetables (US\$520 million), refined sugar (US\$220 million), edible sunflower and soya oils (US\$150 million) and wheat flour products (US\$120 million). The Serbian products with the best production and export potential are: grains, oilseeds, sugar, fruits, vegetables, non-alcoholic beverages, water, dairy products and products of the confectionary industry.

Total agro-food imports were valued at US\$2 billion in 2014, or 11% higher than in 2013. Agro-food imports represent approximately 9.5% of Serbia’s total imports. Agricultural imports are mostly high-value food items; with European and CEFTA products dominating the import market. In February 2015, due to a significant increase in dairy product imports (mainly from the EU which recently abolished its milk production quotas and has been developing alternative export markets as a result of Russia’s import ban on select agricultural imports), Serbia implemented levies on butter and some cheeses. On June 1, Serbia introduced levies on milk, sour cream and yogurt that will become effective June 30 and continue through the end of 2015.

In 2014, Serbia's total agro-food imports from the United States were US\$30.2 million, almost the same as in 2013 (US\$ 30.4 million). U.S. agro-food exports consist mainly of almonds, tobacco, corn seeds, vegetable planting seeds, dietetic foods and concentrated proteins without dairy fats, alcoholic and non-alcoholic drinks, frozen fish, snacks and dry fruits. U.S. exports of these products to Serbia are expected to grow. In the medium term, Serbia is likely to increase imports of planting seeds, fish, and fishery products, poultry meat for processing and high value consumer products and beverages. Possibilities also exist for expansion of U.S. exports of high value products, such as tree-nuts, raisins, snacks, beverage concentrates, planting seeds and seedlings, bovine semen and embryos, flavors and fragrances.

In 2014, total agro-food exports from Serbia to the United States were valued at US\$ 32.8 million, an increase of 34% than in 2013. This increase was mostly accounted for by exports of dry, frozen and canned vegetables and fruits, which rose over 60% during 2014. Serbian agriculture exports to the United States consist mainly of dry, canned and frozen fruits (mostly raspberries), yeast, frozen vegetables (sweet corn and peas), confectionary products, brandy, fruit juices, processed fruits (jams, puree and jelly), cheese and bakery products. In 2014, Serbia enjoyed a US\$ 2.6 million surplus in trade with the United States.

The following table represents the most important U.S. agro-food exports to Serbia in 2014:

Key Agro-Food Exports from the United States – 2014

| No. | Commodity | Tariff Code | Imports from the United States US\$ | Total Serbian Imports US\$ | U.S. Share of total imports |
|-----|------------------------------|-----------------------|-------------------------------------|----------------------------|-----------------------------|
| 1 | Tobacco and tobacco products | 2401/2402/2403 | 7,288,487 | 82,572,774 | 9% |
| 2 | Almonds | 080212900 | 5,572,141 | 6,558,240 | 85% |
| 3 | Consumer orientated products | 2106909290/2106909890 | 4,440,721 | 52,439,052 | 8.5% |
| 4 | Whisky bourbon | 2208301100 | 1,451,361 | 2,609,226 | 57% |
| 5 | Corn seeds | 1005900000/0712901100 | 1,337,201 | 10,402,630 | 13% |
| 6 | Vegetable seeds | 1209918000 | 1,232,025 | 7,006,833 | 17.6% |
| 7 | Protein concentrates | 2106102000 | 1,084,137 | 1,320,440 | 82% |
| 8 | Dry beans | 0713331000 | 715,960 | 1,344,594 | 53% |
| 9 | Hake | 0303661200 | 633,689 | 890,776 | 71% |
| 10 | Processed fruits | 200899490 | 632,170 | 3,450,009 | 18% |

| | | | | | |
|----|----------------------|------------|---------|-----------|------|
| | with sugar | | | | |
| 11 | Cocoa in blocks | 1806209500 | 423,514 | 5,130,886 | 8% |
| 12 | Hop, grounded | 1210209000 | 370,597 | 1,200,018 | 31% |
| 13 | Non-alcoholic drinks | 2202901000 | 339,365 | 6,230,668 | 5.5% |
| 14 | Tea concentrate | 2101209200 | 305,640 | 444,734 | 69% |
| 15 | Pistachios | 0802510000 | 286,433 | 1,304,434 | 22% |

Source: Serbian Chamber of Commerce

U.S. Foreign Trade with Serbia in US\$

| Year | U.S. Agro-Food Imports from Serbia | U.S. Agro-Food Exports to Serbia |
|-------------|---|---|
| 2014 | 32,861,926 | 30,182,295 |
| 2013 | 24,406,902 | 30,373,349 |
| 2012 | 15,064,255 | 25,919,039 |
| 2011 | 14,391,282 | 28,664,313 |
| 2010 | 9,813,073 | 22,353,438 |
| 2009 | 11,293,812 | 25,239,749 |
| 2008 | 14,030,591 | 29,990,760 |

Source: Serbian Chamber of Commerce

| | 2014 |
|--|-----------------------|
| Total Agro-Food Imports into Serbia | US\$ 1,972,937,703 |
| Total Agro- Food Imports into Serbia from the United States | US\$ 30,182,295 |
| U.S. Share of Total Agro-Food Imports | 1.5% |

Source: Serbian Chamber of Commerce

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Useful Links:

USDA sites:

USDA: www.usda.gov

FAS Attaché Reports: www.fas.usda.gov/scriptsw/attacherep/default.asp

Exporter Guide for Serbia:
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide_Belgrade_Serbia_12-31-2014.pdf

Food & Agricultural Import Regulations & Standards (FAIRS) Report for Serbia:

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Belgrade_Serbia_12-18-2014.pdf

FAIRS Export Certificate Report for Serbia:

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Certification_Belgrade_Serbia_12-31-2014.pdf

Serbian Government sites:

Ministry of Agriculture and Environmental Protection (in Serbian): <http://www.mpzss.gov.rs>

Marketing Information System site (in Serbian, some features in English):

<http://www.stips.minpolj.gov.rs/>

Republic Statistical Office (in English and Serbian): www.stat.gov.rs

Non-Government Ag sites:

Commodity Exchange Novi Sad, Serbia (in English and Serbian): www.proberza.co.rs

Database of Serbian Agricultural Companies (in Serbian): <http://www.hranaipice.net>

Agriculture Consultancy company: www.seedev.org

Food Technology: www.tehnologijahrane.com

Agriculture Fair Novi Sad: www.sajam.net/live/Events/Fairs/2014/Agricultural_fair