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Serbian Agriculture Overview and Best Prospects-2014

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Agriculture in the Economy

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Report Highlights:

In 2013, agriculture accounted for 10.1% of Serbian GDP, compared to the EU 27 average of 2%. Agriculture is one of the most important export sector in Serbia, accounting for almost 20% of all Serbian exports and enjoying a surplus of US\$ 1.20 billion in 2013. In 2013, Serbia's total agro-food imports from the United States were US\$30.4 million, an increase of US\$ 5.4 million or 21.6% higher than in 2012 (mostly due to increased imports of tobacco, almonds and planting seeds). U.S. agro-food exports consisted mainly of almonds, tobacco, corn, sunflower seeds, vegetable planting seeds, dietetic foods and concentrated proteins without dairy fats, alcoholic drinks, frozen fish and seafood, snacks and fruits.

General Information:

Agriculture's contribution to Serbia's GDP remains high. In 2013, agriculture accounted for 10.1% 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. Approximately 26% of Serbia's labor force is actively employed in agriculture. Agriculture also is the most important export sector in Serbia, accounting for almost 20% of all Serbian exports and enjoying a surplus of US\$ 1.20 billion in 2013. Approximately 60% of Serbia's agricultural land is used for cereal crop production including corn, wheat, barley, sunflower, soya, and sugar beet. 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 2013, the total value of Serbia's agricultural production reached US\$5.2 billion, or 26.4% higher than in 2012. This increase can be attributed mainly to a 62% increase in corn production in MY13/14. Corn production is valued at US\$1.4 billion annually (6.5 million MT). Wheat is the second most cultivated cereal valued at US\$400 million (2.0 million MT). Sunflower production is valued at US\$230 million (300,000 MT per year) and soybean is value at US\$193 million (360,000 MT). It is one of the most important agricultural crops for Serbia. Sugar beets production is valued at US\$131 million (2.5 million MT) is another important Serbian crop. Considerable revenues of 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 was valued at US\$1.63 billion in 2013, a modest decline of 1.5% compared to 2012. Proportionally Serbia's livestock sector is divided as follows: pigs US\$670 million (41%), cows US\$650 million (40%), poultry US\$230 million (14%), and sheep US\$80(5%).

The Ministry of Agriculture, Forestry, and Water Management is responsible for the Government's strategy in the field of international and domestic agricultural trade, food processing, rural development, forestry, and water management. In the beginning of 2014, the Serbian Ministry of Agriculture, Forestry and Water Management presented a new Draft Serbian Agriculture and Rural Development Strategy for 2014-2024. The strategy, a requisite for receiving EU funding, sets guidelines for adjusting Serbia's agriculture to meet EU and WTO requirements. The proposed reforms will try to improve Serbia's business environment and competitiveness, raise living conditions, and introduce greater stability for Serbia's farmers in rural areas, as well as more uniformly and equitably divide state agricultural resources amongst all potential stakeholders.

At the end of 2013, the Serbian Government adopted its final 2014 budget allocating approximately 5.65 % to agriculture, or 47 billion dinars (US\$550 million). This is slightly higher (1.15 %) than last year's agricultural allocation. For 2014, approximately 31 billion dinars (US\$365 million) will be used to cover production subsidies (mainly for milk, livestock, and fruits), 10 billion dinars (US\$114 million) will be dedicated to diesel fuel payments and certified seed refunds to registered farmers, and 6 billion dinars (US\$71 million) will be for new investments in the food and agriculture sector, such as

supporting further processing of agriculture 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).

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 2013, the Serbian Ministry of Agriculture, Forestry and Water Management adopted 23 new laws and approximately 55 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 reached a value of US\$ 3.04 billion in 2013, a 6.3% increase from 2012. Agriculture is the most important export sector, accounting for almost 20% of all Serbian exports and enjoying a surplus of US\$ 1.20 billion. 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 consisted 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\$748 million), processed fruits and vegetables (US\$471 million), refined sugar (US\$198 million), edible sunflower and soya oils (US\$138 million) and wheat flour products (US\$124 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\$1.84 billion in 2013, or 15% higher than in 2012. Agro-food imports represent approximately 8.6% of Serbia's total imports. Agricultural imports are mostly high-value food items; with European products dominating the import market. It is expected that agricultural imports will continue to grow in 2014, due to increasing demand for high quality consumer-oriented products that enter mostly from the EU duty free.

In 2013, Serbia's total agro-food imports from the United States were US\$30.4 million, an increase of US\$ 5.4 million or 21.6% higher than in 2012 (mostly due to increased imports of tobacco, almonds and planting seeds). U.S. agro-food exports consisted mainly of almonds, tobacco, corn, sunflower seeds, vegetable planting seeds, dietetic foods and concentrated proteins without dairy fats, alcoholic drinks, frozen fish and seafood, snacks and fruits. Despite the slight decline in 2012, U.S. exports of these products to Serbia increased in 2013 and are expected to continue 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 2013, total agro-food exports from Serbia to the United States reached US\$24 million, an increase of US\$9 million, or 60% higher than in 2012 (mainly due to increased exports of frozen, processed and dried fruits from Serbia). Other Serbian agricultural exports to the United States consisted mainly of yeast, frozen vegetables, fruit juices, confectionery products, brandy, processed fruits (jams, puree, and jelly), sweet corn, coffee, wine, cheese, bakery products etc. In 2013, the United States had a US\$ 6.4 million surplus in trade with Serbia, which was approximately US\$ 3.6 million less than in 2012.

The following table represents the most important U.S. agro-food exports to Serbia in 2013:

Key Agro-Food Exports from the United States – 2013

No.	Commodity	Tariff Code	Imports from the U.S. US\$	Total Serbian Imports US\$	U.S. Share of total imports
1	Tobacco and tobacco products	2401/2402/2403	7,121,571	65,109,200	11%
2	Almonds	080212900	5,330,231	5,775,233	92%

3	Consumer orientated products	2106909290/2106909890	4,428,171	47,242,389	9%
4	Whisky bourbon	2208301100	1,986,121	2,800,224	71%
5	Protein concentrates	2106102000	1,308,472	1,572,414	83%
6	Vegetable seeds	1209918000	1,055,377	7,226,833	15%
7	Canned fish, Salmon, Squids	160420900/0303120000/ 0307493800	939,810	5,344,594	16%
9	Sunflower seeds	1206001000	930,413	6,123,430	15%
10	Corn seeds	1005900000/0712901100/ 1005109000	912,697	10,023,116	9%
11	Dry beans	0713331000	516,985	955,720	54%
12	Processed fruits with sugar	200899490	446,655	3,233,880	14%
13	Hop, grounded	121020900	257,941	1,122,008	23%
14	Fats and oils	1504209000	243,105	340,668	89%
15	Pistachios	0802510000	145,204	1,344,734	11%

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
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

	2013
Total Agro-Food Imports into Serbia	US\$

	1,843,175,125
	US\$
Total Agro- Food Imports into Serbia from the United States	30,919,039
U.S. Share of Total Agro-Food Imports	1.7%

Source: Serbian Chamber of Commerce

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Useful Links:

USDA sites:

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

Serbian Government sites:

Ministry of Agriculture, Forestry and Water Management (in Serbian): www.mpt.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-Gov Ag sites:

Commodity Exchange Novi Sad, Serbia (in English and Serbian): www.proberza.co.rs
Database of Serbian Agricultural Companies (in English and Serbian): www.hranaipice.com
Agriculture Consultancy company: www.seedev.org
Food Technology: www.tehnologijahrane.com
Agriculture Fair Novi Sad: www.sajam.net/live/Events/Fairs/2014/Agricultural_fair