

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Serbia

Exporter Guide

Road Map to the Serbian Market

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Report Highlights:

In 2013, Serbia's agro-food exports reached a value of USD 3.04 billion, a 6.3 percent increase from 2012. Agriculture is the most important export sector, accounting for almost 22 percent of all Serbian exports and enjoying a trade surplus of USD 1.2 billion. The European Union and Southeast Europe (CEFTA) countries remained the most important trading partners for Serbia. The global economic crisis has depressed Serbia's high value food imports as national incomes have not kept up with the increased cost of living. Challenges for US exporters include high import tariffs for products from non-EU countries, low incomes which affect consumer buying power, standards which sometimes diverge from international norms, infrastructure issues and the presence of monopolies in the production and retail

chains.

Post:

Belgrade

Author Defined:**I. Market Overview****Economic situation**

Serbia is located at the crossroads of Europe, the Middle East, and Africa. Serbia and its neighbors Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Kosovo, Macedonia, Moldova, Montenegro, Romania, and Slovenia represent a market the size of Texas, with 60 million inhabitants and a GDP of US\$ 523 billion for the whole region. Following the war, economic crises, and related social and political difficulties of the 1990s, Serbia remains a country in transition. In recent years, the government has made important progress on the political front, culminating in the official opening of accession negotiations with the European Union (EU) in January 2014. With unemployment above 20 percent and the deficit ballooning to an amount equal to more than eight percent of the gross domestic product (GDP), the government aims to both stimulate job creation and tighten its finances.

Inflationary pressures softened in 2013 and early 2014 primarily due to modest domestic demand, a favorable effect of last year's agricultural season on food prices, and a relatively stable dinar. Average monthly inflation in 2013 stood at only 0.2 per cent and annual inflation stood at 2.2 per cent. The National Bank of Serbia's (NBS) forecast for 2014 year-on-year inflation is expected to be just below the 4% target rate, due to low aggregate demand.

In January 2014, the government adopted a set of fiscal-consolidation measures, including an increase in the lower rate of value-added tax (VAT) from 8 to 10 percent; a decrease in subsidies for approximately 200 loss-making firms; and a freeze on public sector hiring, wages, and pensions. The government's budget also included a projected 15 percent increase in state fiscal revenues compared to 2013, but as of June 2014, these measures are underperforming. Thus, the 2014 deficit is expected to remain high. As a result of the high fiscal deficit and public debt levels, Fitch Ratings downgraded Serbia's credit rating to B+ (stable outlook) from BB- (negative outlook). Also, the International Monetary Fund (IMF) has downgraded Serbia's GDP growth forecast for 2014. Serbia is expected to have a 0.5 percent drop in economic activity in 2014 and a 1.0 percent growth rate next year.

In early 2012, the IMF froze its program with Serbia, because the 2012 budget approved by Parliament deviated from the program parameters. The IMF re-engaged in discussions with Serbia in November 2014 and proposed access could total approximately EUR 1 billion (US\$ 1.25 billion).

Structure of the economy

The structure of Serbian economy is quite stable. Most of the economic activity is concentrated in services (about 66 percent of GDP), industry (22 percent) and agriculture (12 percent). Agriculture has been a key component of Serbia's economic structure, accounting for employment of one-third of the total labor force in Serbia. Serbia's industrial sectors contribute about a quarter of the nation's GDP. Serbia's primary industries include the processing of base metals, furniture, food processing, machinery,

chemicals, mining, sugar, tires, textiles, energy, and pharmaceuticals.

In 2013, Serbia had a rise of foreign direct investments, compared to last year. Central Bank of Serbia reported a net foreign direct investment (FDI) inflow of US\$ 999 million in 2013. The biggest investments were led by the processing industry, financial services, and the wholesale and retail sector. Serbia is continuing to intensify investment oriented contacts with Russia and China. Most of the expected investments are in the transportation, energy and agriculture sector and would, therefore, contribute to the improvement of the pillars of development. Serbia has a very close relationship with the United Arab Emirates that is planned to bring a number of investment projects to Serbia, ranging from the national airline's joint venture, to agriculture, arms production, high-tech electronic production, construction, tourism, etc.

Agriculture remains the engine for development of rural areas. Agriculture is the only sector in the Serbian economy with a positive foreign trade balance. About 60% of Serbia's agricultural land is used for cereal crop production including corn, wheat, barley, sunflower, soya, and sugar beet. Much of Serbia's agricultural land is in the northern part of the country. Vojvodina accounts for 84% of Serbia's total 4.2 million hectares of arable land. As per current statistical data, about 26% of Serbia's labor force is actively employed in agriculture. There are about 630,000 agriculture households of which about 99.6% are family households and only 0.4% are legal entities. The average family holding is 4.5 hectares. Approximately 90% of Serbia's arable land is privately owned and 10% belongs to the government.

The unemployment rate in Serbia is expected to rise in 2014 to 21.6 percent compared to the last year's 21 percent, and is projected to further increase to 21.8 percent in 2015. This is one of the highest unemployment rates in Europe. Furthermore, youth unemployment is above 50 percent.

Business Environment

Over the past several years, the Serbian economy has experienced growth due to strong foreign investment and a steady improvement in its business environment. Major steps to improve the business climate and reduce the state's footprint in the economy have been implemented in an effort to bolster investments, economic diversification, and sustainable private sector growth to create jobs. Serbia has set an ambitious plan regarding its top priorities - EU accession, fiscal consolidation, finalization of the privatization process, improvements of the Labor Law and pension system and reforms in the functioning of public enterprises. The European Council granted the status of candidate country to Serbia in March 2012 and decided to open accession negotiations in June 2013. The Stabilization and Association Agreement (SAA) between Serbia and the EU entered into force in September 2013. Accession negotiations were formally launched in January 2014. Serbia has continued to build a satisfactory track record in implementing its DAA obligations as noted in the EC's October 2014 report.

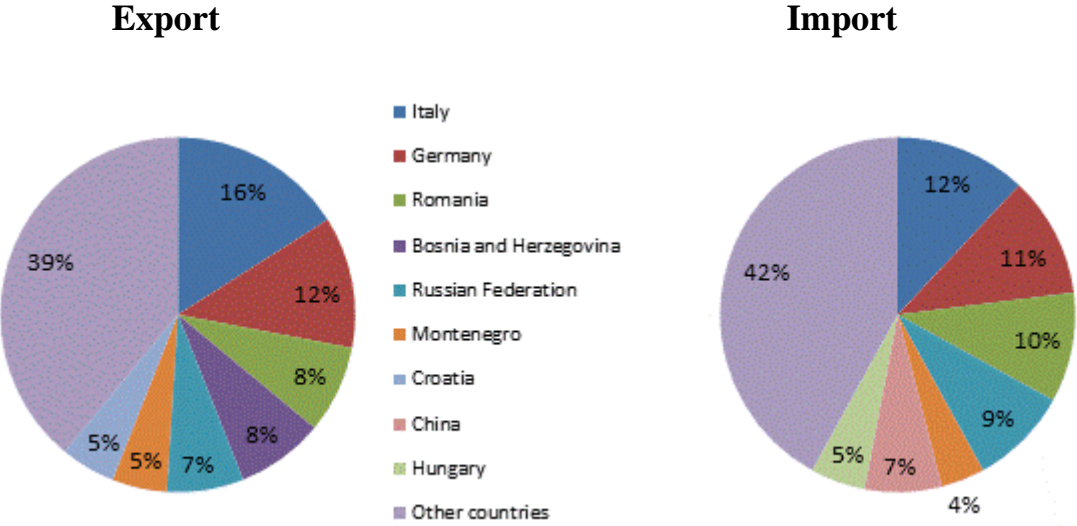
Foreign trade

Serbia has free trade agreements with the European Union, Turkey, Belorussia, Kazakhstan and Russia. It is also a signatory to the Central European Free Trade Agreement (CEFTA). Total foreign trade of Serbia for the year 2013 amounted to US\$ 35.16 billion, an increase of 16.6% over the previous year, the trade deficit decreased by 22.9%, according to the Republic Statistical Office. In 2013, Serbia exported goods valued at US\$ 14.61 billion, or 30.1% more than in the previous year, and imported US\$ 20.55 billion, or 8.6% more. The growth of imports was limited due to weak consumer demand and

lower international prices of raw materials. Serbia’s foreign trade deficit was US\$ 5.94 billion in 2013, a decrease of 23 percent compared to the previous year, according to the Serbian Bureau of Statistics. The export-import ratio was 71.1 percent, an increase from the same period last year when it stood at 59.3 percent.

The EU remained Serbia’s biggest trade partner, accounting for over half of foreign trade, followed by the CEFTA signatories. The largest share of exports went to Italy (USD 2.38 billion), followed by Germany (USD 1.74 billion), Bosnia and Herzegovina (USD 1.18 billion), Russia (USD 1.06 billion), and Montenegro (USD 837 million). The largest share of imports came from Italy (USD 2.36 billion), followed by Germany (USD 2.25 billion), Russia (USD 1.9 billion), China (USD 1.51 billion), and Hungary (USD 1.01 billion).

According to import statistics from Serbian Customs, bilateral trade between the United States and Serbia totaled US\$ 841 million. According to the Serbian Customs statistics, total exports from the United States in 2013 stood at US\$ 348 million, and main US products exported to Serbia were machines and transport equipment, pharmaceutical and medical products, as well as tobacco and optic instruments. For the first time during the last ten years, Serbian exports to the US exceeded US exports to Serbia reaching US\$ 490 million. This was mainly due the export of FIAT automobiles to the US market, which accounted for US\$ 350 million of the total. Serbia is a small market and this demonstrates how one big sale can influence the foreign trade statistics. In 2013, when the FIAT automobiles were sold, it was the main export product from Serbia.



Serbia’s agro-food exports reached a value of USD 3.04 billion in 2013, a 6.3 percent increase from 2012. Agriculture is the most important export sector, accounting for almost 22 percent of all Serbian exports and enjoying a trade surplus of USD 1.2 billion. The European Union remains the most important trading partner for Serbia. Exports to EU countries accounted for 58 percent of Serbia’s total agricultural exports, whereas imports from the EU represented 45 percent 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 (USD 748 million), processed fruits and vegetables (USD 471 million), refined sugar (USD 198 million), edible sunflower and soya oils (USD 138 million) and wheat flour products (USD 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 from the confectionary industry.

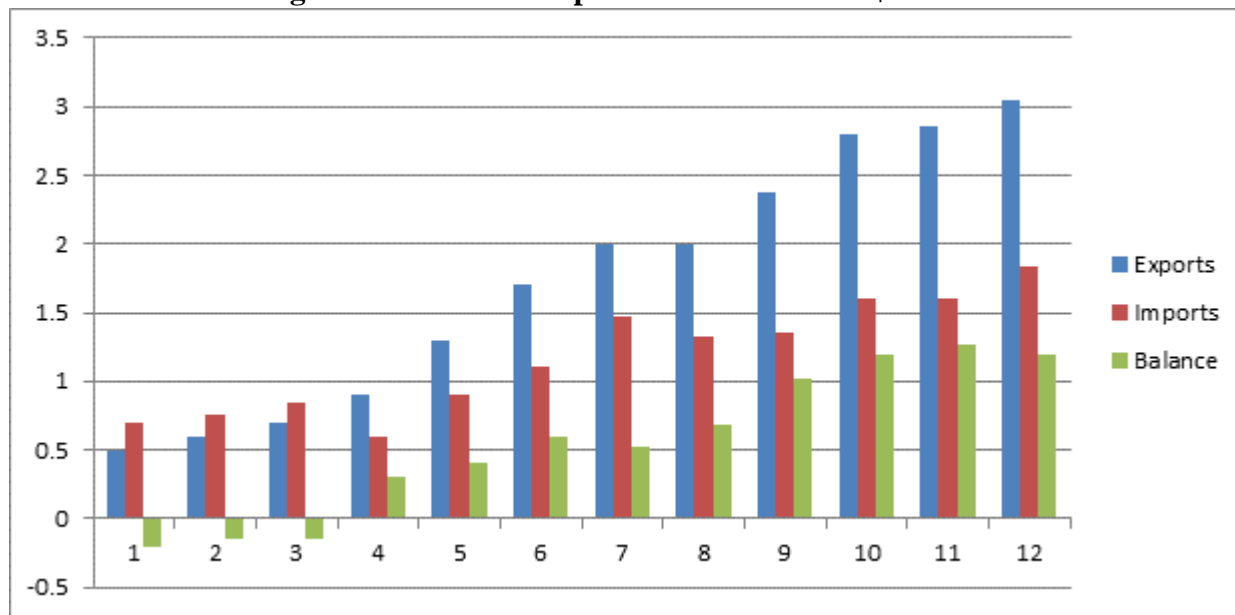
Total agro-food imports in Serbia were valued at USD 1.84 billion in 2013, approximately 15 percent higher than in 2012. Agro-food imports represent approximately 8.6 percent of Serbia’s total imports. Agricultural imports are mostly high-value food items, with European products dominating the import market. It is expected that agricultural imports will continue to grow in the future due to increasing demand for high quality consumer-oriented products that enter mostly from the EU duty-free. In 2013, Serbia registered an agro-food trade surplus of USD 1.2 billion, or 4.7% less than in 2012. Effective January 1, 2014, per Serbia’s Stabilization and Association Agreement with the European Union (SAA), approximately 95 percent of all EU agricultural imports became duty-free. All other items now have an average duty rate of 0.99 percent, although the rate is significantly higher on certain sensitive agricultural commodities.

Serbian Trade of Agriculture and Food Products

Total Agriculture Trade(billion \$)	2008	2009	2010	2011	2012	2013
Exports	2,00	2,00	2,37	2,80	2,86	3,04
Imports	1,47	1,32	1,35	1,60	1,60	1,84
Balance	0,53	0,68	1,02	1,20	1,26	1,20

Source: Serbian Customs Office

Serbian trade with agricultural and food products in billion US\$ from 2002 to 2013



Source: Serbian Statistical Office

Agricultural trade with the US

In 2013, total US agro food exports to Serbia were valued at US\$ 31 million, an increase of US\$ 5.4 million or 21.6 percent 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 a slight decline in 2012, the long term forecast for these products is that they will continue to grow. In the medium term, Serbia is also likely to increase imports of planting seeds, fish and fishery products, and poultry meat for processing, high-value consumer products, and beverages. Possibilities also exist for the 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 US agro-food imports from Serbia reached US\$ 24 million, an increase of US\$ 9 million, or 60 percent higher than in 2012 (mainly due to increased purchases of frozen, processed, and dried fruits from Serbia). Other key agricultural imports from Serbia include yeast, frozen vegetables, fruit juices, confectionary products, brandy, processed fruits (jams, puree, and jelly), sweet corn, coffee, wine, cheese, and bakery products. In 2013, the United States had a US\$ 6.4 million surplus in agricultural trade with Serbia, which was approximately US\$ 3.6 million less than in 2012.

Bilateral Agriculture Trade 2013

Major U.S. Exports to Serbia: \$31 million

Tobacco and tobacco products: \$7 million
Almonds: \$5.3 million
Consumer oriented products: \$4.4 million
Whisky bourbon: \$2 million
Protein concentrates: \$1.8 million
Vegetable seeds: \$1 million

Major U.S Imports from Serbia: \$24 million

Yeast: \$5.4 million
Fruits: \$4.7 million
Confectionery products: \$1.2 million
Fruits juices: \$980,000
Coffee: \$900,000
Wine: \$300,000

Size and Growth of Consumer Foods Market

Influenced by the economic crisis and very low purchasing power, Serbian consumers remain more inclined to purchase economy brands within all categories in retailing, especially within grocery retailers. Private label experienced an increase in both volume and value terms in 2013, becoming much stronger in the process. Based on overall trends in consumer behavior, retail companies are becoming more focused on economy brands in order to increase value sales, while the same methods are being used to attract consumers, including deferred payment, price discounts, promotional sales and special benefits for retired people.

Taking into account the very poor purchasing power of Serbian consumers, the domination of grocery retailers in terms of total value sales is unsurprising as the average Serbian family still spends most of its budget on food and utilities. During 2013, grocery retailers experience a modest decline in constant value terms. Retail chains in Serbia have played a large role in the restructuring of the retail segment in

recent years as government retail operations were privatized and later acquired by larger foreign companies. This led to the establishment of several large retailers in Serbia and allegations of monopolistic behavior. Retail trade turnover fell significantly beginning the 2012 and this trend has continued into 2013. Turnover declined 7% during the first eight months of 2014, compared to the same period in 2013. According to the Serbian Ministry of Trade, due to the lack of competition of big retail chains retail margins in Serbia are almost ten times higher than in other countries in the Balkan region, resulting in very high prices for food and other consumer products. This is mainly the result of very limited competition in the Serbian retail market.

Retail trade in the Serbian market is approximately EUR 3 billion (US\$ 3.75 billion) a year, which is rather small market. If Serbian retail trade is calculated per square meter of retail space, compared to neighboring countries, Serbia has possibility to expand much more in the future. For 10,000 inhabitants of Serbia it is calculated approximately 42 square meters of retail space. For the same number of inhabitants in Croatia it is about 184 square meters, in Czech Republic is approximately 280 square meters inhabitants.

There are number of foreign retail chains at the Serbian market, primarily regional players, and also international players such as Delhaize. Foreign retail chains are holding 2/3 of the total retail market. The Serbian retail market is mostly divided between Belgium owned Delhaize, owner of retail chains Maxi and Tempo and Croatian Agrocor, owner of retail chains Idea, Roda and Mercator. Other international retail chains in Serbia include German Metro, Greek Super Vero and French Intermex. There are also domestic retail chains: Dis, Univerexport and Gomex, that accounts 1/3 of total retail chains in Serbia. Arrival of German retail chain Lidl is very important for consumers, given that delivers a wide range of products and lower prices mainly due to the low purchasing power of local consumers. According to the Serbian Ministry of Trade, there are no big players in the retail business at the Serbian market, because the value of Serbian retail business for big international companies is too low. It is estimated that value of retail business in Serbia in the future can reach between EUR 5.5 and 6 billion annually, which is for major retail chains rather restricted figure.

The prices of consumer products and services in October 2014, compared to September of 2014, on average decreased by 0.2%. Consumer prices in October 2014 compared to the same month of the previous year, increased by 1.8%, while compared to December 2013 increased by 2.2%. VAT is 10 percent for food and drugs and 20 percent for most other goods. Sales of illegal and counterfeit products noticeably increased in recent years.

Changes in consumer behavior

As part of the Serbian Government new measures for savings in budget, salaries and wages of the employees in public sector and pensions of some retired people will be cut for the first time in December 2014. The government plans to save a total of EUR 400 million (US\$ 500 million) a year that way, in order to reduce fiscal deficit. The government placed the stability and long-term feasibility of public finances measures on time deposit by the end of 2017. This will for sure reduce purchasing power of Serbian consumer and will decrease turnover in retail business.

On the other side, for the last several years Serbian consumers are becoming more and more concerned about food safety and the environment, as well as conscientious about buying local. Also, what is typical for the last ten years is another trend that is developing is a widening of the divide between those

who buy the most expensive and the cheapest products. The Serbian consumer is not just buying to satisfy his metabolic needs (he is not hungry), but also to meet health objectives and social ones (support small local producers and reduce pollution). So suppliers either need to be price competitive or quality competitive. Consumers are responding to branding and certification (i.e. geographic, organic, and ecological) to support the quality attributes.

Trade Law

Serbia's Trade Law ("Official Gazette RS No.53/10 and 10/13), <http://mtt.gov.rs/dokumenti/#zakoni>, divides commercial trade into wholesale and retail sales. In addition to licensed sales outlets, trade can be conducted remotely (e.g., e-trade, sale by catalogue or mail order, TV, phone etc.) and by direct offer (e.g. door-to-door salesmen etc.) through authorized representatives. Portable or mobile venues (e.g. kiosk, counter, bench, vehicle, etc.) are also authorized. The Law also defines special marketing institutions (e.g. commodities markets, fairs and other industry activities such as green markets, wholesale markets, and auction houses).

Market Opportunities for Consumer Foods and Fishery Products:

Challenges to Marketing High Value U.S. Food products in Serbia:

- The weak economy affects consumer-purchasing power. According to Statistical Office an average monthly net wage in Serbia is RSD 44,938 only EUR 375 (\$469), while unemployment remains high (20.8%). The average net salaries and wages paid in the period January-October 2014, compared to the average salaries and wages paid in the period January-October 2013, is nominally higher for 1.8%, but in real terms it is lower for 0.3%. As a result, the average Serbian consumer is very price sensitive;
- Quality and safety controls of locally produced and imported food products is still somewhat erratic as the inspection service is still updating its operations and may lack the latest equipment or technology;
- Labeling requirements are often not harmonized with international standards and can trade problems;
- Gray and black markets exist and have become more prevalent during the last four years, because of the global economic situation. The consumer association sources unofficially estimate that close to 27% of food products may be circulated thru these markets;
- Fraud and corruption remains a challenge, especially in relation to taxation and import duties.

Despite these challenges, there are market opportunities for high quality U.S. products as a result of growing consumer awareness in Serbia.

Food Expenditures and Consumption

It is estimated that the average Serbian family spends 44% of its total monthly income on food and non-alcoholic drinks. This is significantly more than the EU average of 18% for food and non-alcoholic drinks. According to the Serbian Statistical Office other costs of living includes household costs 20.5%, transportation 8%, clothing 5%, culture/recreation 4.5%, alcoholic drinks and tobacco 4.5%, health 4%, communication costs 4%, restaurants 2%, education 0.9% and etc.

Demographic Development and Impact on Consumer Buying Habits

Serbia has a population of 7.2 million inhabitants, of which 69% are of working age (the average age is 42.4 years old). This older population is mainly attributed to emigration, although the population growth rate is only -0.40% (2013 estimate). The country's population is mostly Serbian (83.3%) with ethnic minorities of Hungarian (3.5%), Bosnian (2%) and Roma (2%). According to a World Bank report published in 2013, approximately 47% of the population lives in rural communities. Although over the last 50 years rural populations have tended to move to urban areas, the latest trends since the 2008 world economic crisis is for some of the urban population to return to rural areas due to the lack of urban employment and growing opportunities in agricultural production and rural tourism. The total percentage of the population living below the poverty line in Serbia is estimated at 9.1%, according to 2013 CIA World Fact Book. The distribution of poverty is uneven with the gross average income being significantly higher in cities (Belgrade in particular) than in rural areas. The average Serbian household is comprised of 2.9 members.

Advantages	Challenges
Serbian consumer-ready food imports are increasing.	Serbia is not a member of WTO and the US has no tariff advantages.
International retail chains have become more prevalent.	U.S. products tend to be higher priced than CEFTA, Russia, Turkey, Belarus, Kazakhstan products which enjoy preferential market access.
Urban populations continue to grow and generally have higher incomes.	The Serbian market is relatively small and price sensitive.
EU accession negotiations started in January 2014 (There should be improvements in the biotech legislation and U.S. goods that are transshipped thru EU Member States will enjoy the EU access).	Serbia may still maintain a de facto ban on biotech products and may continue to impose certification and testing requirements that are not science based.
During the EU accession process and transition period before tariffs are completely eliminated there may be market opportunities for U.S. products if immediate steps are taken to secure those markets.	Serbia is a member of CEFTA and has entered into free trade agreements with Russia, Kazakhstan, Belarus, and Turkey, thus these countries already enjoy preferential access for their agricultural products.
Serbia has shortages of some agricultural products (beef, pork, poultry, soybean meal, almonds, snack food, beans, seeds, fish, and seafood).	Serbia conducts most of its trade with nearby countries. Long distance and high shipping costs put US products at a disadvantage compared to EU and CEFTA sourced products
Serbia does not produce rice and certain fruits and vegetables.	The regulatory process can be cumbersome.
Serbia needs new seed varieties of crops and vegetables.	Serbia continues to ban biotech products.

Serbia is a member of Codex, OIE, UPOV, FAO, and OECD, all of which are organizations that have agendas generally complementary to U.S. trade interests and priorities.	Given Serbian aspiration to accede to the EU, Serbia is likely to support EU positions in these venues even before it fully becomes an EU member.
Serbia has huge demand for the U.S. animal genetics under very low custom tariffs.	Serbian purchasing power is modest

II. Exporters Business Tips

General Import Procedures

The Foreign Trade Law (“Official Gazette RS” No.36/09, 36/11 and 88/11), <http://mtt.gov.rs/dokumenti/#zakoni>, regulates foreign trade. The flow of goods designated for import is supervised by the Serbian Customs authorities. Customs supervision generally ends when goods are customs cleared and import duties paid, although special customs procedures exist for customs warehousing, inward processing relief, and transit.

In the areas of the customs valuation, origin of goods, tariff classification and customs procedures, Serbia tends to apply the recommendations and guidelines of the World Trade Organization (WTO), World Customs Organization (WCO), and the global trading rules set by the General Agreement on Tariffs and Trade (GATT). Serbia brought its customs regulations and practices fully in line with those of the EU and with the guidelines set by the above mentioned international organizations. For example, the Customs Tariff Law provides that Decisions on the classification of goods enacted by the Harmonized System (HS) Committee, as a body of the WCO, as well as those enacted in the EU and published in the Official Journal of EU, are enforceable in Serbia. These decisions are published in the Official Gazette of the Republic of Serbia. The Serbian Government annually reconciles the national Customs Tariff with the Combined Nomenclature (CN) of the EU.

Serbian regulations do not impose significant restrictions on foreign trading. However, there are some restrictions on the import of certain types of goods, i.e. import licenses are required for certain pharmaceutical substances, meat products, precious metals, arms and dual-use goods. Furthermore, restrictions are imposed on import/export payment and collection operations as defined by the Law on Foreign Exchange Operations. Exports and imports of goods or services for which payment has not been collected and/or made for longer than one year from the day of execution of exports or imports, as well as goods or services that were not exported and/or imported for longer than one year from the day the advance payment was made and/or collected are considered as foreign loans and as such have to be registered with the National Bank of Serbia.

Goods imported in Serbia are subject to customs duty rates provided in the Law on Customs Tariff (“Official Gazette RS” No.62/05, 61/07, 112/07, 9/08, 10/09, 100/09 and 66/10, 95/11, 11/12 and 115/12 or <http://www.upravacarina.rs/en/Zakoni%20engleski/SR-Customs%20Tariff%20Law-EN-2009.pdf>) and the Decree on “Harmonization of Customs Tariff Nomenclature for 2014 (<http://www.upravacarina.rs/cyr/PoslovnaZajednica/Stranice/Carinskatarifa.aspx>). These rates are ad valorem (with certain exceptions) and apply on goods originating in countries which have Most Favored Nation (MFN) status with Serbia. Effective January 1, 2014, per the Serbia’s Stabilization and Association Agreement with the European Union (SAA), approximately 95 percent of all EU

agriculture imports became duty-free. All other items now have an average duty rate of 0.99 percent, although the rate is significantly higher on certain sensitive agricultural commodities. Serbia's customs authorities also assess excise duties on oil derivatives, tobacco products, alcoholic beverages and coffee (green, roasted and ground coffee and coffee extracts). Excise duties in Serbia are either specific (for oil derivatives, alcoholic beverages, cigars and cigarillos), ad valorem (for coffee and pipe tobacco), or combined (for cigarettes - specific + ad valorem on retail price). VAT is payable on all imports, assessed together with customs duty. For most types of goods, the general VAT rate of 20% applies, calculated on the customs value and inclusive of customs and excise duty (if any). For the importation of certain goods (e.g. fruit and vegetables, meat, cereals, pharmaceuticals) the reduced VAT rate of 10% is applicable.

There are a small number of specific types of administrative fees relating to customs processing, charged when customs declarations or requests for certain customs procedures are submitted. However, these fees are relatively low.

Import duties are payable after customs declaration is accepted and the customs bill with calculated amount of duties is issued by the relevant customs office. The assessed duty amount should be paid within eight days on the special budget account for import duty payments. Import goods can be released after payment appears in the Customs IT system or an appropriate instrument for securing payment of the duty amount is submitted (bank guarantee or cash deposit).

Local business customs

U.S. food exporter should focus on establishing their business relationship with a reliable and efficient importer and distributor. Identify the appropriate distribution and sales channels. U.S. exporters and Serbian importers could expand trade by strengthening confidence through visits of U.S. exporters/manufacturers to Serbia, exploring opportunities firsthand, and meeting with relevant Serbian importers. The USDA/FAS is willing to facilitate exchanges groups of U.S./Serbian food exporters to Serbia/U.S. food shows and food conventions, however, U.S. companies must be willing to show interest and responsive to their Serbian counterparts.

Large food retail chains like Delhaize and Agrokor have their own purchasing/importing division to handle food imports directly. Major supermarkets are increasingly importing directly from foreign suppliers in order to reduce costs. U.S. suppliers should initially contact the purchasing/importing divisions of these large food chains, especially for new-to-market food products. A list of contacts for Serbia's major food supermarkets and importers is available from FAS Belgrade Office upon request. U.S. exporters should consider the price sensitiveness of their customers, their product requirements, purchasing policies, and expected purchase volumes.

Additional Marketing tips:

- Direct marketing (phone/video calls, emails, meetings)
- Direct marketing is common also through mail order booklets
- Telephone marketing is increasingly common, but with mixed results

Conducting appropriate due diligence is important prior to signing a contract with potential representation. Although English is widely spoken in the business community, U.S. companies will want to have a representative with strong Serbian language skills and cultural knowledge. In addition, business in Serbia is still conducted to a large extent based on personal contacts. In this respect, it is

critical to find a partner who is committed to abiding by both local and U.S. laws. Importers, wholesalers and distributors can provide transportation, product storage, and market information and can effectively market goods to local consumers.

International consulting firms present in Belgrade such as Deloitte and Touché Tohmatsu International, PriceWaterhouseCoopers (PWC), and KPMG can be helpful in establishing the viability of potential local partners. Local organizations may also be useful in verifying credibility of a potential local partner: Chamber of Commerce of Serbia: <http://www.pks.rs>. The Foreign Agriculture Service Office-Belgrade can assist U.S. companies when exporting to Serbia by providing a list of potential importers/distributors and wholesalers of U.S. products, offering counseling on the market, explaining import requirements, and facilitating communications with Serbian Government Officials (including Serbian Customs Office, Veterinary and Phytosanitary Import Inspection) if appropriate. Please see the Key Contacts section below for contact information.

The Serbian Business Registers Agency (BRA) oversees the establishment of foreign representative offices in Serbia and performs the registration of other foreign legal entities in Serbia. Foreign entities/persons and imported goods enjoy the same treatment and the same status as domestic entities (that is, national treatment). A representative office may operate in Serbia after completing the registration process with the BRA. The registration process takes approximately 10 days from the filing date of the application. Representative offices may not directly sell goods or services, but may be used to support sales transactions or business development. They may conduct operations including market research and development, contract or investment preparations, technical cooperation, and similar business facilitation activities. They may not operate in the trade of armaments or other military equipment. Representative offices are permitted to hold foreign exchange and domestic currency accounts in authorized Serbian banks.

For more detailed import standards and regulations please refer to 2012 Food and Agriculture Import Regulations and Standards (FAIRS Report), Narrative and Certification that can be downloaded at: <http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>

General Consumer Tastes and Preferences

According to the “GfK” Belgrade www.gfk.rs, the average Serbian consumer spends 44% of his/her monthly income on food, compared to the average EU consumer who only spends 18% of his/her income on food. Most Serbian consumers view price as the primary factor when purchasing food and beverages. Large supermarket chains have become more popular as the main food sales point over the last ten years. Customers generally purchase food once or twice a month from these outlets. Due to rising food prices and the weak purchasing power of many Serbian consumers, some consumers are also returning to their neighborhood corner shops to make daily purchases of staple foods. Perishable foods, fruits, vegetables, bread and fresh meat are mostly sold at specialized stores or green markets.

In general, consumption of red meats in Serbia is fairly high. The largest consumption is of pork meat. Consumption of beef has declined (due to high prices) while poultry consumption has increased (lower prices) due to the economic crisis. Average annual consumption of meat in Serbia is 60.8 kg/inhabitant kg/year (EU average is 78 kg/inhabitant), of which 27.3 kg is pork meat, 17.2 kg is poultry, 14.4 kg is beef and 1.9 kg is lamb. On a per capita basis, the average annual consumption of vegetables is 99.8 kg and for fruits it is 37.3 kg. Serbian consumption of bread is 106 kg/annually/inhabitant two times higher than the EU average of 50 kg/annually/inhabitant, while milk and dairy consumption in Serbia are 87 liters/annually/inhabitant or four times less than the EU average of 320-380 liters/annually/inhabitant.

A typical Serbian meal is comprised of pork or poultry meat, potatoes or some other vegetables.

There are ethnic restaurants (e.g. Italian, Chinese, Korean, Japan, Mexican, Argentinian, French, Lebanese, Greek, and Turkish) and "Food Corners" serving different varieties of fast food in the larger Serbian cities (Belgrade, Novi Sad and Nis). Fast food has become more popular amongst the younger working population. American fast food outlets have been some of the most successful businesses in Serbia in recent years. For example, McDonald's, Pizza Hut, Kentucky Fried Chicken and Madre Burritos all present in Serbia for the past years. More outlets are scheduled to open in the near future in response to the higher demand for "western type" of food. Also, most supermarket chains in the bigger cities offer ready-to-eat food at relatively low prices. In smaller cities, most people prefer to prepare meals at home from fresh items from green markets or grown in their own garden.

Food Derived from Genetically Engineered Ingredients ("GMOs") – Public opinion is generally uninformed and founded on the media's negative reporting versus the international scientific community's consensus about the food safety aspects or technological advances of this technology. The issue has proven to be too politically charged, so that even politicians in favor of innovation do not take a public stance. Grain farmers and trader organizations are not united on the issue, as there is both an import and export interest involved. Serbian researchers are well educated and are not anti-GMO, but are not active in passing this message to the general public. Serbian livestock and poultry farmers are aware of the fact that with adoption of Serbia's GMO Law in 2009, all imports of GE soybean meal for cattle feed were blocked resulting in drastic increases in feed prices. Livestock farmers and cattle feed producers are eager to buy EU approved GE soybean meal from Argentina, Brazil or the United States to reduce input costs. The current Serbian GMO Law adopted in 2009, does not conform to WTO rules, as it does not provide for a system to review GMO products and instead completely bans their sale and cultivation. The Serbian GMO law is more restrictive than the current EU policy.

Organic food - In 2013, there were 258 certified organic producers in Serbia, increase of 40 producers comparing to 2012. In 2013, certified organic farmers produced organic products on approximately 5,400 HA, of which 2,500 HA are actually certified by the certified agents accredited by the Ministry of Agriculture and Environmental Protection, while an additional 2,900 HA are according to the same Ministry still in the transition period of qualifying for organic production. Of Serbia's arable land, only 0.3% is currently dedicated to organic production, but it is growing. More than 90% of Serbia's organic production is exported to EU countries (Germany, Belgium, Austria, Switzerland, Great Britain, etc.) and the US market. Most of the production is fruit, vegetables (particularly mushrooms), cereals, and medical herbs. Serbia also is importing some organic products such as baby food - Germany, organic spaghetti - Slovenia, and rice - Macedonia.

Given limited incomes and the still modest living standard, eating organic is not a top priority for the average Serbian consumer. Although disposable income has increased over the past ten years, food prices have also risen significantly, limiting the growth in organic produce. There is general impression that many certified organic products are imported, except for certain fruits, vegetables and cereals. There is very limited supply of organically certified animal products on the market. Certified organic cosmetic products have continued to grow, but certified organic textiles are hard to find. The retail sector for organic food in Serbia is still underdeveloped. There are only a few outlets in Belgrade and Novi Sad. Certified organic foods can be found only in some green markets, specialized health food stores, and a few supermarket chains. Although organic products have found their way into the supermarket chains, not much has been done to promote them. There are a growing number of health

counters in the supermarkets, where products claiming health advantages are intermixed with organic products, but little is done to explain how organic is defined.

III. Market Sector Structure and Trends

Retail Sector Key to High Value Imports

According to Statistical Office an average monthly net wage in Serbia is RSD 44,938 only EUR 375 (US\$469), almost the same as ten years ago when monthly net wage was EUR 370 (US\$463). Living costs for citizens in Belgrade and other bigger towns in Serbia are higher than for people living in the countryside. In contrast to other countries in the South Western Balkans, the concentration of retail outlets has not yet been completed. More than 70% of all food products in Serbia is still sold through small grocery shops, estimated to number close to 30,000. Tempo, a cash and carry market, was the first to open a retail chain in 2004 and many other chains have followed since then. During the last couple of years there has been a rapid expansion in private label sale. About 30% of the products in supermarkets are sold under private labels. Dairy are the most common private label items, followed by snack foods, cereals and household cleaning supplies. Serbian consumers are indicating that they sometimes buy private label brands if a product is of a higher quality or it offers a higher value than the national brand alternative. Most of the consumers cited price as the primary reason for purchasing a private label brand.

Labeling and Marking

The conformity mark in Serbia, verifying conformity of the product with certain technical regulations, may be the CE mark or another conformity mark according to special regulations (for example, homologation mark). The Serbian conformity mark confirms that the product meets the requirements of a Serbian technical regulation and that the prescribed conformity assessment procedures have been observed. This mark is in the form of three capital 'A' letters connected in the shape of an equilateral triangle and is affixed to the product in such a manner as to be visible. Artwork of this mark can be downloaded in several formats at: <http://www.kvalitet.co.rs/en/znaci-usaglasenosti-za-proizvode>.

It is prohibited to affix any other mark of similar content or form on a product which could be misleading to the consumers, or in a manner that would impair the visibility or legibility of the conformity mark. The provisions for applying these marks are provided in the Decree on Manner of Performing Conformity Assessment, Content of Document of Conformity, as well as Form, Appearance and Content of the Conformity Marking (Official Gazette of RS No. 98/09).

Promotion and Marketing Strategies

A media campaign is strongly recommended when introducing a new food product on the Serbian market. Advertising is a very important tool in presenting new products mainly through internet, billboards, newspapers, magazines and TV. Supermarkets also use direct marketing mostly through flyers about their products, prices and special discounts. Very often in-store promotions, informal gatherings, and tasting events are used to present new food products. Food sales via the internet are still very limited in Serbia.

Most Serbian companies engage in some form of advertising. Television, radio, and print advertising are the most effective. Sales promotions and trade fairs are also common. Television, which reaches 90

percent of households, has the broadest reach of all media. Serbia has two state-owned and three private TV channels with national coverage. There are five regional channels. Serbian law restricts advertising on state television to six minutes per hour. Advertising on privately owned (regional and local) television stations cannot exceed 20 percent of total program length. The most advertised products are telecommunications, vehicles, financial institutions, beverages, newspapers, and hygiene products. Serbian law prohibits the advertisement of tobacco and alcohol on television.

Trade events and agriculture/food fairs are also very popular in Serbia and can be an excellent way to market products and services and to find local partners and distributors. Belgrade Fair <http://www.sajam.co.rs/> maintains its tradition of organizing specialty exhibitions such as automotive, food and drinks, construction equipment, furniture, fashion, medical, pharmaceutical, books, tourism, etc. Novi Sad Agriculture Fair is the largest and most popular fair for agricultural products, food and equipment. It has a long history and takes place every May (http://www.sajam.net/live/Dogadjaji/Sajmovi/2014/Poljoprivredni_sajam). Also the following are popular fairs for food and beverages in Serbia are: “Culinaria Fine Food” (<http://www.tradefairdates.com/Culinaria-Fine-Food-M7408/Belgrade.html>), “Food and Drink Expo” (<http://www.dukeandpeterson.com/en/>) and “Belgrade Ethnic Food and Drink Fair” <http://www.etnohip.rs>.

IV. Best High Value Product Prospects

Product Category	2013 Total Imports (Million \$)	Average Annual Import Growth In Value (2008-2013)	Key Constraints Of Market Development	Market Attractiveness For USA
Tobacco Products	131.0	3%	EU and CEFA preferential customs tariffs	Serbia has a shortage of tobacco products and is net importer
Fish & Seafood	49.0	5%	Competition from EU seafood exporting countries	Demand and consumption is increasing along with changing eating habits and growth in restaurant and tourism business
Snack Food	68.7	10%	Strict biotech legislation and significant competition from EU and CEFTA	Market that will continue to grow with demand for new products
Confectionary products (including chocolates)	157.3	3%	Strong competition from domestic companies, EU and CEFTA countries at lower price point.	Market that will continue to grow with demand for new products

Coffee and Tea	39.2	5%	Strong competition from South America, Africa, India and Vietnam.	Growing market and demand for greater variety and higher quality
Grains and Vegetable Seeds	90.8	20%	Strong competition from domestic Seed Institutes and EU companies.	Growing demand for higher quality of new varieties of seeds to achieve higher yields and higher quality products
Animal Feed	29.3	10%	Strict biotech legislation and strong competition domestic supplies and EU/CEFTA countries.	Seeking lower cost inputs
Protein concentrates	25.0	25%	Lack of familiarity with U.S. products.	Growing demand and interest in new products
Wine	38.0	10%	Strong competition from EU and CEFTA countries at lower price point.	Growing market for higher end wines as Serbian living standard increase
Pet Food (Dog & Cat Food)	20.5	20%	Competition from EU/CEFTA countries and U.S. franchises in the EU. Harmonization of Veterinary Health Certificate for US exports still not completed	Serbia has very limited production of pet food. Consumption of pet food is expected to grow with an increase in the standard of living
Pork	10.5	5%	Serbia is not accepting U.S. Veterinary Certificate with both options related to trichinae in the pork meat, either testing or freezing. Serbia is mostly importing pork meat from EU and CEFTA countries under preferential import tariffs	Serbian is not producing enough pork meat for domestic consumption and imports for the last 6 years increased fivefold. Growing market especially for pork meat for further processing

*Tariff rates can be found at www.carina.rs

V. Key contact and Further Information

FAS/USDA

U.S. Embassy

Bulevar kneza Aleksandra Karadjordjevica 92,
11000 Belgrade, Serbia

Phone: ++381 11 706 4158

Contact person: Agriculture Specialist, Mrs. Tatjana Maslac

E-mail: tatjana.maslac@fas.usda.gov

Web page: <http://serbia.usembassy.gov/>

Serbian Ministry of Agriculture and Environmental Protection

Nemanjina 22-26,

11000 Belgrade, Serbia

Phone: ++ 381 11 260 7960

Fax: ++ 381 11 260 7961

E-mail: office@minpolj.gov.rs

Web page: <http://www.mpzss.gov.rs/> and <http://www.eko.minpolj.gov.rs/>

Serbian Ministry of Trade, Telecommunication and Tourism

Bulevar Mihajla Pupina 2,

11070 New Belgrade, Serbia

Phone: ++ 381 11 311 3432

Fax: ++ 381 11 311 4650

E-mail: kabinet@mtt.gov.rs

Web page: www.mtt.gov.rs

Serbian Ministry of Economy

Kneza Milosa 20,

11000 Belgrade, Serbia

Phone: ++ 381 11 36 42 700

E-mail: kabinet@privreda.gov.rs

Web page: http://www.privreda.gov.rs/?change_lang=en

Veterinary Department/International Trade and Certification

Omladinskih brigada 1,

11000 Belgrade, Serbia

Contact person: Mr. Sinisa Kotur

Phone: ++ 381 11 2602 634

Fax: ++ 381 11 2602 498

E-mail: vetuprava@minpolj.gov.rs

Web page : <http://www.vet.minpolj.gov.rs/srb/kontakti/kontakt-uprava>

Phytosanitary Department

Omladinskih Brigada 1,

11070 New Belgrade, Serbia

Phone: ++ 381 11 311 7371

Web page:

http://www.uzb.minpolj.gov.rs/index.php?option=com_content&view=article&id=54&Itemid=2&lang=en

Inspection on sanitary conformity

Serbian Ministry of Health

Department for Sanitary Inspection

1, Omladinskih Brigada Str.
11070 New Belgrade, Serbia
Phone: ++ 381 11 2607 874
Web page: www.zdravlje.gov.rs

Market inspection

Serbian Ministry of Internal and External Trade and Telecommunication
Department for Market Inspection
Nemanjina 22-26
11000 Belgrade, Serbia
Phone: ++ 381 11 361 4334
Web page: <http://razvoj.mtt.gov.rs/en/sectors-of-the-ministry/sector-for-market-inspection/>

Directorate for National Reference Laboratories

Serbian Ministry of Agriculture and Environmental Protection
Batajnicki drum bb,
11080 Zemun, Serbia
Phone: ++ 381 11 377 20 70
E-mail: slavoljub.stanojevic@minpolj.gov.rs
Web page: <http://www.dnrl.minpolj.gov.rs>

Customs clearance

Serbian Custom Administration
Bulevar Zorana Đinđića 155 a,
11070 New Belgrade, Serbia
Phone: ++ 381 11 2690 822
E-mail: kabinet@carina.rs
Web page: <http://www.carina.rs/en>

Institute for trademarks, patents and intellectual property

Intellectual Property Office
Knjeginje Ljubice 5, 11000 Belgrade
Phone: ++ 381 11 2025 800
Fax: ++ 381 11 311 2377
E-mail: zis@zis.gov.rs
Web page: www.zis.gov.rs

Statistical Office of the Republic of Serbia

Milana Rakica 5,
11000 Belgrade, Serbia
Phone: +381 11 2412 922
Fax: +381 11 2411 260
E-mail: stat@stat.gov.rs
Web page : <http://webrzs.stat.gov.rs/WebSite/>

American Chamber of Commerce in Serbia

Smiljanićeva 24/I,
11000 Belgrade, Serbia
Phone: +381 11 30 88 132; 34 46 437
Fax: +381 11 30 88 922
Email: info@amcham.rs
Web page: http://www.amcham.rs/about_amcham.34.html

Chamber of Commerce and Industry of Serbia

13-15 Resavska Street,
11000 Belgrade, Serbia
Phone: +381 11 3300-900
Fax: +381 11 3230949
E-mail: info@pks.rs
Web page : <http://www.pks.rs/>

Accreditation Body of Serbia

Bulevar Mihaila Pupina 2,
11070 New Belgrade, Serbia
Phone: + 381 11 301 47 44
Fax: +381 11 313 03 74
E-mail: office@ats.rs
Web page: <http://www.ats.rs/en>

VI. Other Relevant Reports

2013 Food and Agriculture Import Regulations (FAIRS), Narrative and Food and Agriculture Import Regulations (FAIRS), Certification at
<http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>.

APPENDIX I. Statistics

Table A. – Key trade and Demographic Information in 2013	
<i>Current status in the EU accession process:</i>	Serbia started Accession Negotiation process with EU in January 2014
<i>Capital:</i>	Belgrade
<i>Currency:</i>	Republic Serbian Dinar (RSD)
<i>Population:</i>	7.24 million (2013)
<i>Government system:</i>	Parliamentary republic. National Assembly (250 members) names executive authority – prime minister

<i>Main industry sectors:</i>	Agriculture, Automotive, Food Processing, Metals and Chemicals
<i>Foreign direct investments:</i>	USD 999 million (year 2013) source: National Bank of Serbia (NBS)
<i>Major trading partners 2013:</i>	Germany, Bosnia and Herzegovina, Italy, Russian Federation, China
<i>Real GDP/ GDP per capita:</i>	Projected USD 43.07 billion/USD 5,970
<i>FX rates (December 2012) :</i>	122.72 RSD /1 EUR 97.54 RSD/1 US\$
<i>VAT rates:</i>	20% or 10% (reduced rate for basic foods)
<i>Corporate/individual tax:</i>	15% or 10-15% (individual)
<i>Next parliamentary elections:</i>	2016
<i>International organizations:</i>	Member of more than 50 int'l orgzns, including CEFTA, UN, Interpol, EBRD, UNHCR, OIE, UPOV, IPPC, CODEX