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# Agriculture of Serbia and European Integration Processes <sup>1</sup>

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## Introduction

National agricultures cannot develop without the strong connections with the surroundings, which unconditionally means that each country must link its agriculture with the leading institutional system. Agro-business transition process at a global scale often includes the competition of unequal units, whose development levels are different, which means that the inferior units have more or less unfavourable conditions to develop their competition position (Njegovan, Z., Ševarlić, M., 1997, p. 227). Transition reforms from socialistic to market economies imply huge changes in social, political and economic system, and unavoidably influence the complex system of agriculture and village. "Transformation process is an unnatural course of events, an abnormal situation, and a temporary phase in the life of a nation. The period of reforms mean dominance of a chaos over the state of order, and which usually triggers stormy reactions and emotions in the society" (Hunek, T., 1997, p. 27). Although transformation of agriculture is not more important than transformations of other economic sectors, it needs to be treated with special care, because it exceeds the limits of the sector and influences the well-being of great part of rural and urban population, and consequently, the success of the whole transition process (Chioccioli, 1998).

## Agriculture and Euro integration courses

Strategic determinations of agrarian policy of the European Union have been formed and modelled in the second half of the 20th century in the countries with different traditions in agriculture and very heterogeneous natural conditions. That process went through several distinctive phases: the *first* is characterized by establishment of common agrarian policy, the *second* by formation of common market of agricultural products, and *third* by regulating of relations between the countries of the Union and third countries. The goals of agrarian policy, its mechanisms and measures have changed and improved through time, and were very often influenced by leading economic and political courses<sup>2</sup>. Numerous attempts of integration of Intra-European agrarian market were rather slow, and often followed with great resistance. However, nowadays the ecological standards, sustainable development and resources protection have become the main priorities of agrarian policy of the European Union.

The main goals of European integration processes in agriculture, and the Common Agricultural Policy (CAP) are as following: growth of agriculture productivity, reaching the satisfactory living standard for the rural population, stable supply of the market with agricultural products, in accordance with the growing request on internal European and world market, encouraging of production which contribute to sustainability and improvement of rural areas and landscapes, stabilization and balance at the agricultural products market, provision of stable

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<sup>1</sup> The research results, presented here, are part of the Project by the Geographical Institute "Jovan Cvijic" of the Serbian Academy of Sciences and Arts - SANU, titled: "Modalities of Geopotentials Valorization in Undeveloped Regions in Serbia", support by Ministry of science and environmental protection of the Republic of Serbia.

<sup>2</sup> The first attempts directed at formulation of common policy in agriculture date back to 1951 and the initiatives of Ministers of agriculture of Netherlands and France, aiming to overcome the threatening competition of agricultural products from the overseas countries (Bogdanov, N., 2004, p. 41).

food supply, establishing of acceptable prices of agricultural products, provision of food safety for the population, and improvement of ecological awareness of producers (www.Europa.eu.int.).

Aiming at making the agriculture integration as effective as possible, the main agriculture development directions in the EU accession countries are in the field of market liberalization, production limitations and the level of agricultural support.

The problems of integration of other countries' agricultures into the very intricate system of Common Agricultural Policy of the EU are exceptionally complex and require considerable pre-accession financial support. This is realized mostly through PHARE and SAPARD programmes, in the field of harmonization and improvement of institutions, regional development, arrangement of property, arrangement of infrastructure, production associations, education etc. The main goal of agriculture reforms in transition countries is functioning of agriculture in the conditions of market economy. Considering even the whole world, it is difficult to find a region in which agriculture has been subject to so great structural changes after the year 1989, as is the case of the most of transition countries of Central and Eastern Europe (Tangermann S., Swinnen J., 2000, p. 133).

Agriculture is one of the most significant segments of Serbian economy. In Serbia, the process of economic reforms and transformation of economy system, and of agriculture as its subsystem, has started at the end of the eighties of the 20<sup>th</sup> century. This process was going simultaneously with the changes of social and political surroundings. Serbian agriculture in the last decade of the 20<sup>th</sup> century functioned in the conditions of war-affected neighbourhood, decomposition and disintegration of reproductive and distributive relations in the united market system of the former Yugoslavia, sanctions of the Security Council of the UN, specific monetary disorders, the level of hyperinflation unknown by that time, maintaining the social peace by low prices of food, high unemployment rate, and a number of other limitation factors. Simultaneously, the agrarian sector – with its neglected resources, institutions and organization – has served as a means of amortization of social crisis shock (Bogdanov, N., 2004; 2) and have had the function of supplying the urban population with food at acceptable prices. Such situation and treatment of agriculture put Serbia on the 31<sup>st</sup> place in Europe in the accomplished export of agricultural products for the period 1999-2001, with the average export of 500 US \$ per one active farmer<sup>3</sup>. The studies show that the intensity of total final agricultural production per one hectare of cultivable land in Serbia is 2 to 10 times smaller in comparison to the situation in agriculturally developed countries of Western Europe (Vicentijević, D., Vujović, N., 2004). In such circumstances, unfavourable development conditions have considerably contributed to substantial lagging of transition processes in Serbian agriculture.

### **Agriculture of Serbia and South-Eastern Europe in Euro integrations**

The condition of production resources in Serbian agriculture, in time of preparations for joining the EU, is unfavourable and very bad in most of the production system (small property units, old plantations, worn-out equipment and mechanization, unfinished privatization in great agricultural companies, unfavourable technical-technological equipment etc.). Compared to other European transition countries, Serbia is considerably late in joining the international integration. The forthcoming integration processes, directed towards the functional regional system of the EU, require respect of rigorous procedures and rules, as well as the obligation of more dynamic structural adaptation and reform of Serbian agriculture. The experiences show that the fastest transitional progress has been achieved in the countries that have started and carried out the appropriate institutional changes, and that way enabled the accelerated development of agriculture and its comparative changes.

Table 1 shows the reform processes in Serbia and Montenegro, which are quite slow and of weak intensity. The progress of reform processes in agriculture has been evaluated through five indicators and it is obvious that the countries of Central and Eastern Europe, as well as the Baltic countries, are in the best reform phases.

<sup>3</sup> In the same period, the active farmer in Netherlands has exported the goods of the value 60.000 US \$, in Denmark 35.000 US \$, in France 15.000 US \$ (Tomčić, D. et al. 2004, p. 199).

## Agriculture of Serbia and European Integration Processes

**Table 1. Indicators and estimation of reform in agriculture.**

Country	Prices and market	Agrarian reform	Agricultural processing	Financing of rural development	Institutional changes	Total
<b>Advanced reform group</b>						
Czech Rep.	9	9	10	9	9	9.2
Hungary	9	9	10	9	9	9.2
Slovenia	9	9	10	8	10	9.2
Slovakia	8	8	9	8	8	8.2
Bulgaria	9	8	8	7	8	8.0
Poland	8	8	9	7	8	8.0
<b>Middle reform group</b>						
Albania	8	8	8	7	7	7.6
Romania	7	8	8	7	7	7.4
Croatia	7	7	7	6	8	7.0
Macedonia	8	7	6	5	7	6.6
Bosnia and Herzegovina	7	7	6	6	5	6.2
Ukraine	7	6	7	6	4	6.0
Russia	6	5	8	5	5	5.8
<b>Late reform group</b>						
Serbia and Montenegro	6	5	5	3	5	4.8
Tajikistan	6	6	5	3	4	4.8
Turkmenistan	2	3	2	1	2	2.0
Belarus	2	2	2	2	1	1.8

Source: *Transition report 2002*, Agriculture and rural transition, European Bank for Reconstruction and Development, 2002, UK.

The main tasks that are imposed to the agriculture of candidate countries are<sup>4</sup>:

- according to sanitary and phyto-sanitary regulations, marking and registering of cattle, establishing of inspection, border control etc.;
- increase of effectiveness of national institutions and administration for application and monitoring of the new system of agrarian policy;
- establishing of land register and reforms of cadastral system.

Judging by the analyses of agrarian sector development, we can delineate the general characteristics of the state of this segment of the Serbian economy.

**General characteristics:**

- decrease of working productivity;
- disorganized and unadapted to market conditions of production;
- unfavourable economic effects of the agriculture production;
- lack of long-term agriculture and village development strategy ineffective market mechanisms;
- degraded technology;
- undeveloped rural infrastructure;
- pre-dimensioned capacities and high debts;
- lack of capital for re-structuring and modernization of farms;
- lack of the appropriate market of land;
- unestablished ownership issues;
- slow and incomplete privatization;
- poor export performances.

**Crop growing:**

- small area of agricultural property units;
- low productivity;
- great dependence on climate conditions;
- extremely small surfaces of irrigated land;
- unfavourable technical-technological equipment;
- outdated mechanic equipment (average age of a tractor exceeds 20 years);
- bad position of farms on the market
- lack of standards;
- lack of capital.

**Fruit and wine growing:**

- lack of labour force;

<sup>4</sup> [www.Europa.eu.int/comm/enlargement](http://www.Europa.eu.int/comm/enlargement).

- prices that cannot fight the competition;
- old plantations;
- poor relations with the processing sector;
- processing capacities are technologically outdated;
- poor assortment of fruit products, lack of high phase of processing;
- lack of registered brands;
- lack of capital;
- inappropriate selection of sorts (low production of high-class wines).

**Cattle breeding:**

- considerably decreased number of heads, compared to the eighties of the 20<sup>th</sup> century;
- high natural consumption;
- small farms with low surpluses;
- as much as 56% of farms do not have a single head of neat cattle;
- 44% of farms do not have pigs;
- 77% of farms do not have sheep and goats;
- expensive cattle feed;
- unorganized market;
- over-dimensioned capacities of meat and meat products industry;
- small number of slaughterhouses with export permission (only 2 slaughterhouses in Serbia have got the EU certificate);
- prices that cannot fight the competition;
- undeveloped market infrastructure.

Within the preparations for joining the EU, Serbia will have to make considerable re-orientation of agrarian policy in order to adapt to the Common Agricultural Policy of the EU. Judging by the experiences of Central and Eastern European countries, that have already joined the EU, and by the condition of our agriculture, we can conclude that the changes, necessary for harmonization of agriculture with the EU conditions, will mostly affect the *small farms*, which are the most numerous in Serbian agriculture structure (producing "odds and ends", with low market surpluses), *outdated processing capacities*, and *agriculture companies with unfinished privatization process*.

Access of Serbia into Euro integration processes, in accordance with the experiences of other European transition countries, and with the conditions of the Common Agricultural Policy of the EU countries, requires: growth of agriculture productivity, establishing of acceptable prices of agricultural products, balance at the agricultural products market, reaching the satisfactory living standard for the rural population, encouraging of production which contribute to sustainability and improvement of rural areas and landscapes, aid to survival of small farms, through improvement of economic development and rural economy, provision of stable food supply, provision of food safety for the population, improvement of ecological awareness of producers, institutional adaptation – border control, certified laboratories, organizational linking etc.

Serbian agriculture development strategy should enable the development of multi-functional, sustainable and competitive agriculture, which would provide future and vitality for rural areas. Multifunctional approach to the Serbian agriculture development concept can be realized through the following programmes:

*Farms development* – the programme aims at modernization of agrotechnics and technology, in order to increase the profit and standard of agricultural producers. The general aim is reducing the production costs, improvement of quality, preservation of environment etc.

*Arrangement of agricultural land* as a very important segment of agriculture development.

*Improvement of irrigation systems*. About 40% of world's food is produced on irrigated land, and it is anticipated that this will increase to 60% in future. In Serbia, the share of irrigated agricultural areas is less than 2% (only about 30.000 hectares), which puts it to the last place in Europe.

*Support to the population in rural areas* – primarily related to the support to younger farmers, both financial and educational.

*Support to farmers who work in limited and unfavourable natural conditions* – related mostly to mountain areas, with considerable limitations in natural conditions for land use. These areas require particular, environmentally compatible development programs. Due to difficult natural conditions, production costs are increased and crops reduced, which in long term impedes survival of population in these areas. The support should be available to individual farms, but also to local authorities and other associations.

*Support to environmentally compatible production* – It is necessary to support the producers who strictly follow standards and technologies of ecologically directed agriculture. This is primarily related to maintenance of good production conditions in agriculture areas and their surroundings (so-called agro-surroundings). The support is determined according to the loss of profits and other expenses that occur due to contractual obligations.

Finally, the most comprehensive is the *Program of integral rural development*, aimed at creation of multiple activities and alternative profits in villages.

Every enlargement of the European Union has hindered the access to its market for agricultural products from non-member countries, thus decreasing their share in export to the Union and disrupting the balances of world trade of those products (Bogavac, V., Ivanovic, S., 2004, p. 221). For Serbia, the access of Hungary and Poland had the negative consequences, because the surpluses of agricultural products in the EU market have increased. In other words, after the access of those countries, the structural surpluses of wheat, sugar, beef, pork, poultry and cheeses in the EU have increased. The most serious consequences for Serbian agriculture will be taken by exporters – producers of the mentioned products. The value of trade exchange of agricultural products gives a very diverse picture. The analysis of export of agricultural-food products from Serbia shows that the Balkans region is the greatest importer of agricultural products from Serbia (44,8% of total export, out of which 22,4% is to Bosnia and Herzegovina), while the EU countries are on the second place (40,5%). More than a half of export to Balkan market consists in cereals and cereal products, followed by tobacco, fruits and vegetables, while the European Union, until the last enlargement, had absorbed the products of fruits and vegetables – 78,5% (Statistics of FRY export, 2001).

Integration into the European Union is a long-term determination of Serbia, but this will come into effect much easier by the increased integration processes of South-Eastern European countries. In that sense, South-Eastern European countries have to accept the obligation to accomplish their accelerated development in a certain period, in order to decrease the development differences in relation to the developed countries of Europe. This can be achieved by a radical turn of events regarding the approach to agricultural production – by inevitable transformation of a “peasant” into a “rural entrepreneur”. Transformation from transitional crisis into the phase of preparation for access is not an easy task. Therefore the measures and foundations of strategies are related to modernization of agricultural households (investments in agriculture, support to young farmers, professional and extended education) and development of activities in the sector of processing, packing and marketing of agricultural products. That would attribute to formation of general social-economic setting that encourages the development of production and enterprising. Moreover, the actions are needed to move the rural populations from the margins of modern economy, and to change the general life philosophy of the majority of rural population – *that so little is needed for life, and that people from villages know best how little is enough for living*. Regarding the previous statements, many open questions arise, the main one being – how it is possible to transform a Balkan peasant to a modern, Western-European type of producer (a farmer), who is competitive in assortment, quality and price of their products on world and European market.

The structure of agricultural land of South-Eastern Europe is characterized by relatively high percentage of cultivated areas, which points to the possibilities of intensive forms of agricultural production (this region host. Nearly a half (45,7%) of cultivated areas is situated in Romania, while Bulgaria and SCG have ¼ respectively, and all other countries have in total 14,8% of cultivated areas of the Region. Regarding orchards and vineyards, 2/3 of areas in the Region belong to Romania and Serbia, while only 3,1% is in Macedonia. It is interesting to mention that the highest average crop (14.040 kg/ha) is noted in vineyards of Albania, and the lowest in Bosnia and Herzegovina (Milic et al. 2002, p. 215). Comparison of structures of agricultural land in the Region points to the fact that Romania, Serbia and Bulgaria have greater share of cultivated areas in total agricultural land (more than 60%), while other countries have less than 35% of cultivated areas.

Regarding the general morphological characteristics of the Region, 8,3% of total agricultural surface of the Continent is under meadows and pastures. Regionally, this land category is mostly present in Bosnia and Herzegovina (23,2%). Starting from various natural, technological, human and capital resources on one hand, and their mutual goal to integrate to the EU on the other hand, the countries of South-Eastern Europe should establish a well defined long-term strategy in accordance with their own conditions and comparative advantages for acceptable agriculture and village development. Among the first steps in front of the countries of South-Eastern Europe is the development of stronger inter-regional cooperation, mostly by setting up a zone of free trade in the Region. Within adaptation of national, but also regional agricultures to the integrated Europe (with potential market of 500 million consumers), it is necessary to consider the possibilities of production of those types of agricultural products for which there are natural and other available resources. Presence of ecologically valuable natural resources, inexpensive labour and tradition represent particularly significant comparative values in the process of adaptation of the agricultural production structure to the united European market. The analysis of conditions and state of agriculture in the countries of South-Eastern Europe points out the products which could possibly become competitive, interesting and profitable on the demanding, highly sophisticated European market (Todorovic, M., 2003): fruits and vegetables from the areas with the "eco" prefix; products originating from the free-form of cattle breeding; sugar and plant oils; products of specific geographic origin (sljivovica, "kajmak" dairy cream, some types of cheese and ham etc.). From the point of view of national agriculture development, and inclusion into Euro integration courses in food production system, among the strategically top-priority products of Serbian agriculture are the *products with defined geographic origin*. These products, their specifications and indicators are of geographic origin (Geographic Indicators). The general interest of all countries is respected – that the products known by their quality or special characteristics resulting from the natural conditions or traditional technology are protected from being "taken over" by other countries or regions. As emphasized by Natalija Bogdanov (2004), it is necessary to make essential difference between the trade mark and brand on one hand, and geographic origin on the other. Trade mark and brand can be "de-localized", which does not stand for the geographic origin of a product. While geographic origin is available to all producers in a given region, trade mark is an exclusive individual right (Bogdanov, N., 2004, p. 29).

## Conclusion

An important, and possibly the most difficult task, is to enable the Serbian agriculture for functioning in extremely competitive and complex surroundings of the united European market. Serbia has to make use of previously unused resources for increasing the volume, quality and assortment of agricultural production. Further usage of these potentials is in close correlation with taking into account considerable measures and simultaneous intensive actions at macro and micro level, with the aim of direction, re-orientation and preparation for entering the Euro integration processes and the European Union. In this respect, it is necessary to work out the agriculture development strategy, which would be based on the sustainable development concept and the new programmes of agricultural production, on justified and rational usage of natural resources. It is also necessary to create constant export surpluses of agricultural products, especially of higher processing phases, which will meet the requirements for safety food, biologically rich and ecologically clean, with high quality of products. Demanding international market asks for a recognizable product and a trade mark with attractive and practical packing, in most branches of production that will be related to satisfying the quality standards, formation and certification of laboratory systems etc.

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