

CHAPTER 35. AGRICULTURAL OUTPUT GROWTH AT THE REGIONAL LEVEL IN SERBIA¹

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Abstract:

This chapter highlights the importance of enhancing the market economy and its chain and significance of a higher degree of exploiting the natural potentials of individual regions by emphasising the fundamental characteristics of the agricultural production in the Republic of Serbia and by examining its contribution to the overall socio-economic development of the country. The subject of the research has included the analysis of the individual regions' contributions to the overall agricultural growth and all obstacles that prevent the higher degree of exploitation of regions' natural potentials. The goal of the research is recognising the precise measures of promoting the growth of agricultural production, increasing the level of exploiting natural potentials of the individual regions and a higher participation of agricultural production in socio-economic development of the country.

Key words: *agricultural growth, regional level, potentials, profitable production, socio-economic growth*

INTRODUCTION

Economically viable and ecologically acceptable agricultural production, with the exploitation of all natural potentials of the region and enhancement of the agricultural products competitiveness, represents the backbone of the sustainable development and a precondition for entering the European market. According to the basic economic indicators, the agricultural sector is still underdeveloped, even though the Republic of Serbia has all prerequisites for the development and

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improvement of this sector's competitiveness as the country has moderate climate, good quality and size of agricultural land, geographical variety and accessible water surface.

The lack of important investment and the inexistence of consistent development strategy lead to a lower exploitation of natural potentials of agricultural production, which negatively influenced its total contribution to the socio-economic development of the country. The unfavourable price parity was created by importing products that the Republic of Serbia agriculture has a potential to produce, by the monopoly of agricultural products buyers and a high oscillation in volume and quality of production which upsets the self-financing of simple reproduction and the survival of agricultural enterprises due to the predominant market conditions of obtaining external sources of financing. The absence of possibility to acquire the used instruments of labour and subjects of labour negatively affected the level of technical and technological equipment and high percent of outdated mechanisation that led to the increase of uncultivated and unused area of fertile land.

Neglecting the agricultural sector for several decades led to the poor demographic structure of population in rural regions where a high percent of old and uneducated population participates in production and it has difficulties in adapting to the new technical and technological tools and introduction of required standards in agricultural production. The agricultural production in Republic of Serbia is carried out under the circumstances that influenced the lack of entrepreneurial spirit and bad management of agricultural producers, which lowered the possibility of creating competitive and diversified products and their sales in the market.

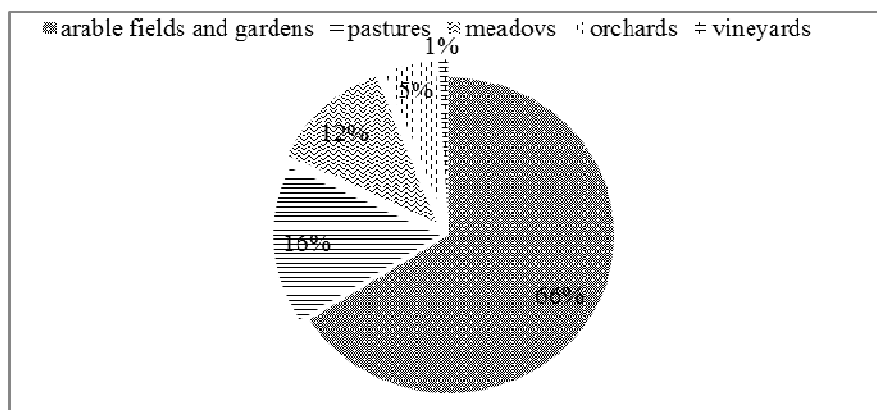
BASIC CHARACTERISTICS OF AGRICULTURAL PRODUCTION AND ANALYSIS OF POTENTIAL IN THE REGIONAL LEVEL

Potential of agricultural production of the Republic of Serbia is very much determined by the available resources and favourable natural environment. Therefore, the rural regions substantially differ in social and economic development aspects, quality and standard of life and the total contribution to the socio-economic progress of the country. In accordance with the EU Nomenclature of territorial units for statistics, the Serbian statistics includes five regions - Vojvodina, Belgrade, Sumadija and Western Serbia, Southern and Eastern Serbia and Kosovo and Metohija⁴, which are on the NUTS 2 level and are grouped into two higher units of first level, i.e. into North and South Serbia.

⁴ Statistical data for the region of Kosovo and Metohija are unavailable since 1999.

Production of crops and vegetables is highest in the plain areas, whereas the mountain regions are favourable for fruit farming, viticulture, forestry and stock farming. According to the latest data of the Statistical Office of the Republic of Serbia, out of the total value of agricultural production, crops production is 68.4% and 31.6% is stock farming. For the total territory of the Republic of Serbia, 65% is agricultural land, and in the last ten years, 66% of this land is arable fields and gardens, 16% pastures, 12% meadows and 1% vineyards.

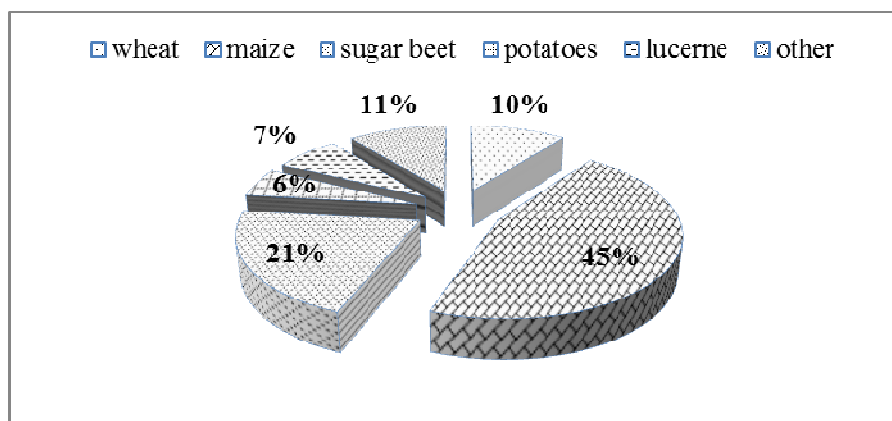
Figure 1: Utilized agricultural land, 2002 – 2011



Source: According to Statistical Office of the Republic of Serbia

The largest share of arable area, more than 60%, is cultivated with cereals, approximately 15% is used for the production of fodder crops, 13.50% for industrial crops and less than 10% for vegetable crops.

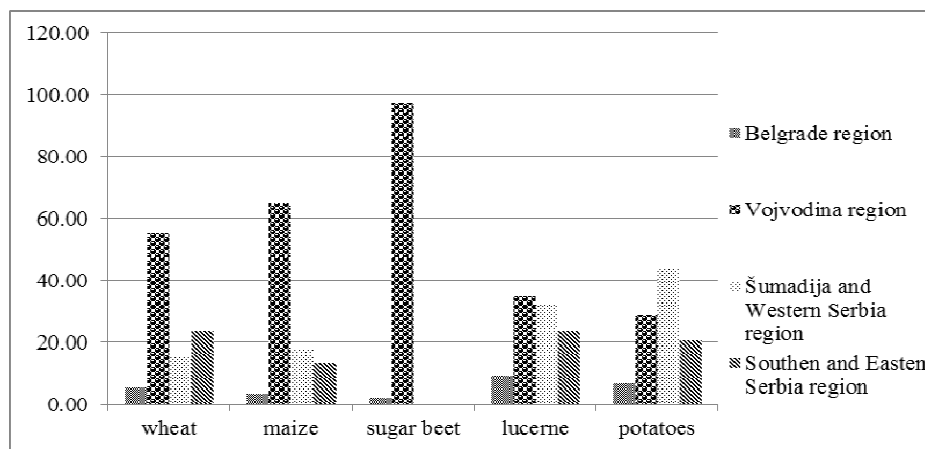
Figure 2: Production of major crops, 2010



Source: According to Statistical Office of the Republic of Serbia

In the production of the important crops, the highest percentage 45% is maize, 21% is sugar beet, 10% wheat, 7% alfalfa, 6% potato, and 11% of the total crop production is the cultivation of other crops. Broke down by regions, more than 65% of total maize production is in Vojvodina, about 18% in Sumadija and Western Serbia, around 13% in Southern and Eastern Serbia and less than 4% in the region of Belgrade. Concerning the production of sugar beet, it is regionally largely disproportionate since 97% of the overall production is in Vojvodina, and less than 3% in the remaining regions. Moreover, more than 50% of total wheat production is in Vojvodina, more than 20% in Southern and Eastern Serbia, about 15% in Sumadija and Western Serbia and less than 6% in Belgrade region. The share of alfalfa production in Belgrade is less than 10% of total production and the rest of the regions have 30% each. When it comes to the regional representation of important crops productions, Vojvodina is not in the first place only in production of potatoes. Region of Sumadija and Western Serbia is the first in production of potatoes with little less than 50% of total production, followed by Vojvodina with less than 30%, Southern and Eastern Serbia with 20%, whereas the smallest share of potato production is in the region of Belgrade.

Figure 3: Production of major crops at the regional level, 2010



Source: According to Statistical Office of the Republic of Serbia

In comparison to 2010, the production of wheat has increased by 21.47% in 2011, and it is therefore approximately at the same level of production as in the last ten years. Extremely low wheat output in 2010 is mostly a consequence of unfavourable weather conditions for its cultivation bearing in mind that the harvested area was smaller by 8,801 ha in comparison to 2011. However, the agricultural output was for 22.19% higher than in 2010 at the approximately same size of harvested land in 2008. Although the harvested area of maize was larger by 28,864 ha in 2011 in

comparison to 2010, the agricultural output has decreased by 10%, which was mostly influenced by the weather conditions since in the last ten years there were not so many changes in the size of the area harvested by these crops. The production of sugar beet has also decreased by 15.13% in 2011 in comparison to 2010, and harvested area for these crops has approximately decreased for the same percent.

The analysis of the volume of both agricultural output and harvested area for the production of the three most common crops in the Republic of Serbia indicates that the volume of production largely depends on the weather conditions. Even though the Republic of Serbia has favourable weather conditions for the development of crops production, the developments in agricultural production are also influenced by the extreme weather. The volume of agricultural output is highly dependent on the climate changes, which indicates the low level of investment in the irrigation system and a large number of individual small households that are not able to finance preventive measures and mechanisms of drought protection thus limiting the extensive agricultural production.

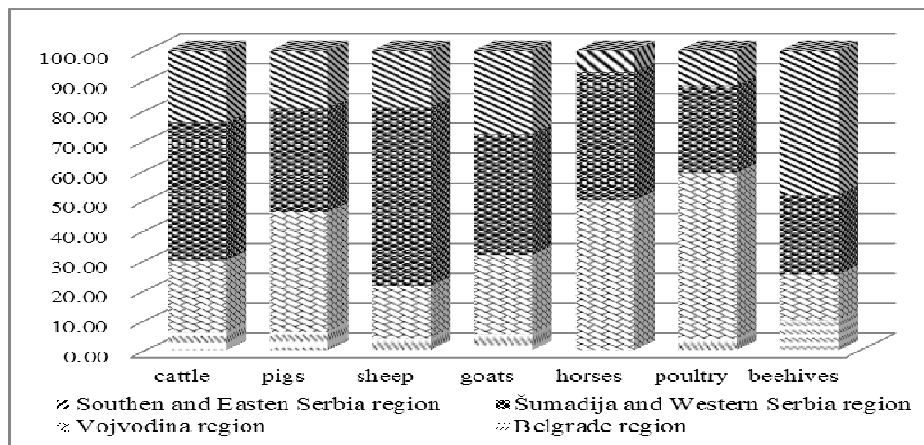
Only 25,128 ha was irrigated, in the Republic of Serbia in 2010, which is 28.53% of total exploited agricultural area covered by the irrigation systems and only 0.50% of total agricultural area. The irrigation in the Republic of Serbia is done mostly by sprinkling 89.3% and only 5.7% by drop-by-drop method and 5% by surface irrigation. Out of the total agricultural area covered by the irrigation systems, 27.82% is in the region of Belgrade, 60.96% in Vojvodina, 10.59% in Southern and Eastern Serbia and only 0.63% in Sumadija and Western Serbia. Big companies and cooperatives mostly own the land in the irrigation area and family households possess only a small share of it. If we consider the aspect of ownership in the structure of overall harvested area, it would provide us with an answer why the crops agricultural production in the Republic of Serbia has decreased. High share of small households with small estates influenced the drop in agricultural productivity, which negatively influenced economic growth and led to a decrease in living standard for farmers and complete rural areas as well. The average agricultural estate in the EU is 18.7 ha, and it is only 2.5 ha in Serbia.

There was a drop in agricultural productivity in fruit farming and viticulture. In 2010, the largest share of fruit trees was for plums production 58.10%, 32.74% and 9.16% for apples and cherries, respectively. The largest share of plum production, i.e. 53.29% of total production is in the region of Sumadija and Western Serbia, whereas the apple production is the biggest in Vojvodina with 43.75%, and cherries production in Southern and Eastern Serbia with 53.03%. In the last three years, there is a significant drop in production of these fruit, as the production of cherries has decreased by 37.74%, plums by 35.75% and apples by 14.89%. In the production of

berries, raspberries make 71.78% and strawberries 28.22%. More than 90% of raspberries production is in the region of Sumadija and Western Serbia and the remaining percentage is for the other three regions. The region of Sumadija and Western Serbia, with more than 50% of total production, is the most important in production of strawberries, whereas 25.60% of this fruit is produced in Southern and Eastern Serbia, 14.84% in Belgrade region and only 7.58% in Vojvodina. In the last three years the production of raspberries and strawberries has also dropped, by 3.55% and 7.89%, respectively. There is an increase in the raspberries harvested area by 1.41%, and a decrease by 3.95% for strawberries. There is a drop in the viticulture production as for the last three years the production of grapes dropped by 23.43% whilst the vine-harvested area remained almost the same. The region of Southern and Eastern Serbia has the highest percent of viticulture - 45.15%, followed by Sumadija and Western Serbia with 32.42%, Vojvodina with 17.58% and Belgrade region with 4.85%.

In 2010, poultry made 76% out of the total stock farming production of the Republic of Serbia, followed by 13.16% for porcine animals, ovine 5.56%, bovine animals 3.54%, caprine animals 0.49%, beehives 1.21% and 0.05% for equidae. Broke down by region, breeding poultry, horses and pigs is highly represented in Vojvodina, whereas Sumadija and Western Serbia are famous for breeding bovine, ovine and caprine animals, and Southern and Eastern Serbia for beekeeping.

Figure 4: Percentage of livestock and beehives at the regional level, 2010



Source: According to Statistical Office of the Republic of Serbia

In the last three years, livestock farming has on average decreased by 0.53%, and in 2010, in comparison to the year before, there was a significant drop in the

production of cow milk by 1.08% and honey by 2.14%, whereas the production of meat, wool and eggs has increased by 3.51%, 1.26% and 18.81%, respectively.

LIMITATIONS FOR HIGHER AGRICULTURAL GROWTH AND CONTRIBUTION TO THE SOCIO-ECONOMIC GROWTH

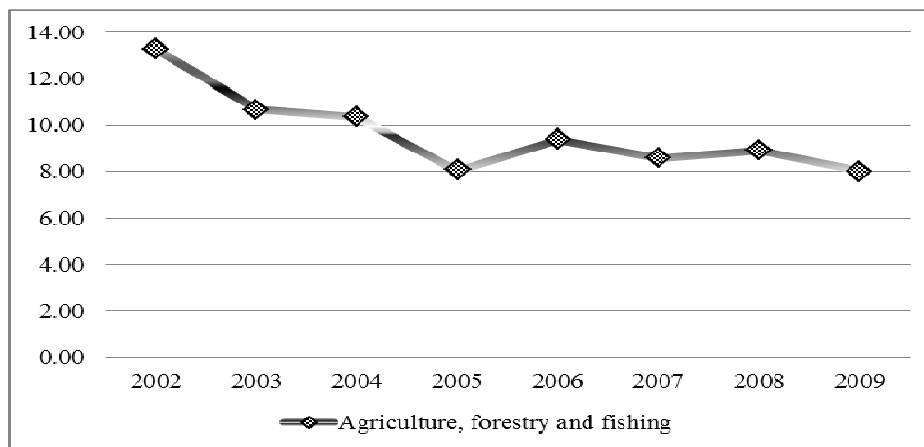
The lack of consistency in shaping and implementing the agrarian policy has influenced the inadequate distribution of profits between the participants in the market chain and has disabled the short-term and midterm planning of agricultural production. The absence of intensive state support and non-implemented restitution resulted in the incomplete process of the privatisation of the agricultural sector, which has negatively influenced the agricultural contribution to the socio-economic development of the country. The absence of modern market chain of economic activity in agricultural sector is noticeable mostly due to the non-existence of proper legislative regulation and insufficiently developed institutional framework. The fundamental obstacles in developing the market chain are a big number of small, non-competitive producers who suffer high costs of achieving the standards, poor competitiveness due to a high customs protection, and the manufacturing capacities that still have a very limited access to the more important markets.

The insufficient intensity of implementing reforms in the agricultural sector resulted in a very low FDI inflow that preserved a poor demographic and ownership structure of agricultural population, inadequate level of technical equipment and deeper disproportion of agricultural participation in the overall employment and its contribution to GDP.

The agricultural population, which has very unfavourable age structure, makes 10.89% of the total population of the Republic of Serbia. Nearly 40% of agricultural population is older than 50, whilst only 23% is between 15 and 34 years of age. The unfavourable age structure is mostly a consequence of a mass migration of population from rural to urban areas directly influenced by intensive industrialisation initiated in the 1960s, which unfolded mostly at the expense of poor farmers and agricultural production. The absence of proper state support to the development of agricultural sector, as it promoted the industry, influenced the inadequate exploitation of available natural resources, the neglect of the large areas of fertile agricultural land and a low level of socio-economic and cultural development of rural areas. The non-existence of institutional support led to a high level of regional differences in the view of both natural and infrastructural conditions in the agricultural production that resulted in the uneven contribution to the socio-economic development.

We can observe the importance of agricultural production in socio-economic development from the aspect of its participation in gross domestic product (GDP), overall employment and external trade. For the period of 2002–2009, agricultural contribution to the Republic of Serbia GDP has a declining trend. Even ten years ago, based on this indicator, when the contribution of agriculture to GDP was 13.28%, Serbia was not even close to the group of European countries. In comparison to the EU where only 5% of agricultural population generates 15% of the Community GDP, in Serbia 10% of the agricultural population generates only about 8% of GDP, with the declining trend in the future.

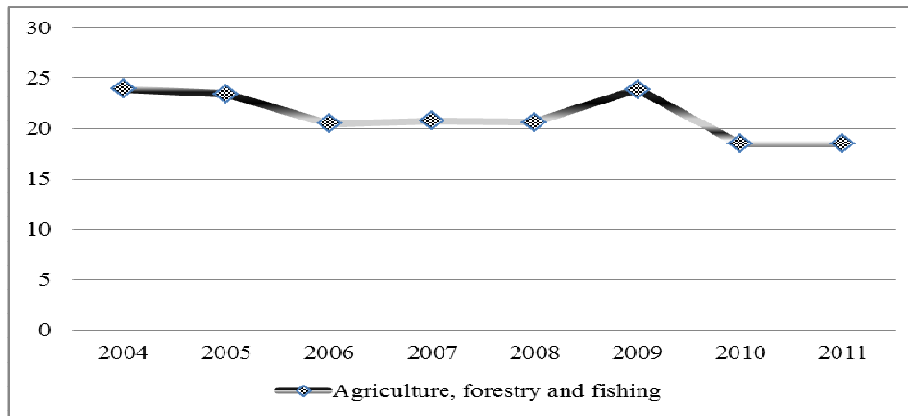
Figure 5: The share of agriculture, forestry and fisheries in gross domestic product



Source: According to Statistical Office of the Republic of Serbia

For the last ten years, the size of agricultural population of the Republic of Serbia has decreased and today it participates with only 12.6% in overall labour force. In comparison to the developed countries, the participation of agricultural population in overall labour force is significantly higher but with a lower contribution to gross domestic product.

For the last eight years, the representation of agriculture in overall employment of the Republic of Serbia is mildly decreasing, yet remaining at a relatively high level concerning this sector low contribution to GDP. High level of employment in agriculture, almost 20%, is not only due to the transition and privatisation but also to the lack of opportunities and choice in the job market. Moreover, a number of highly qualified persons whose professional orientation is not closely related to the agriculture has increased in recent years in this sector.

Figure 6: The share of agriculture, forestry and fisheries in employment

Source: According to Statistical Office of the Republic of Serbia

On one hand, the uneven representation of agriculture in the overall employment and on the other hand its share in GDP is to a certain extent the result of the low inflow of direct foreign investment (FDI) in comparison to other sectors in economy. The principal reason of the low inflow of FDI in agriculture is the slow capital turnover and low accumulation of capital in this sector. The absence of proper FDI inflow leads to the weakening of agricultural companies that lose capacity to maintain the real value of their own equity and renew the used subjects of labour and instruments of labour. However, for the four years of survey, the companies in the sector of agriculture, forestry and water management have experienced the decline in real value of their capital on the basis of the effect of revaluation and accumulated net profit in 2010 only, and there is no assurance to claim that these companies were able to perform simple reproduction for the previous years as well. This is because the overall value of undistributed profit of the current year was included in the calculation of the index of common shareholder equity with accumulated net profit, without taking into account the obligations based on the participation of external users in profit distribution. On the other hand, for the four years of survey, based on the effect of revaluation, the real value of their capital has not only failed to be maintained but it has even noticeably decreased.

Table 1: Maintaining the real value of capital

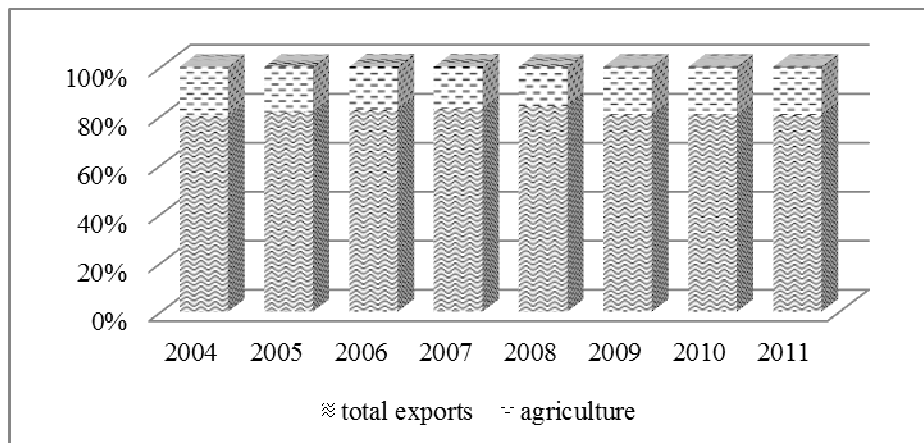
	2007	2008	2009	2010
Net own capital index	110.25	111.48	115.46	77.32
Net own capital index without accumulated gain	103.99	103.00	92.99	76.45
Retail Prices Index	106.8	110.9	110.1	108.6

Source: Independent research by the authors

Due to the lack of possibilities of financing simple reproduction from their own resources, the companies were forced either to decrease the physical scope of production, which directly reflected in the decline of financial results, or to increase the debt, which endangers their profitability and autonomy (Vukelić, Đuričin and Musabegović 2010, p.231).

The low accumulation of capital minimises the capacity of self-financing of the production and the lack of favourable conditions for procuring the external financial sources and insufficient intervention of the state that disrupt not only the growth and the development but also the survival of agricultural production of the Republic of Serbia. The higher inflow of FDI would very much contribute to the higher exploitation of the agricultural potential (Đuričin 2011a, p.308) and growth of its share in GDP since that would open possibilities of purchasing new mechanisation, irrigation systems and would improve the demographic structure of agricultural population, increase the income and level of products competitiveness. On the positive side, for the last ten years the agriculture generated only 2%-3% of FDI value of the manufacturing sector, and with somewhat higher percent of representation in overall employment, it has only about 5% lower contribution to GDP than the manufacturing industry.

Figure 7: The share of agriculture in total exports



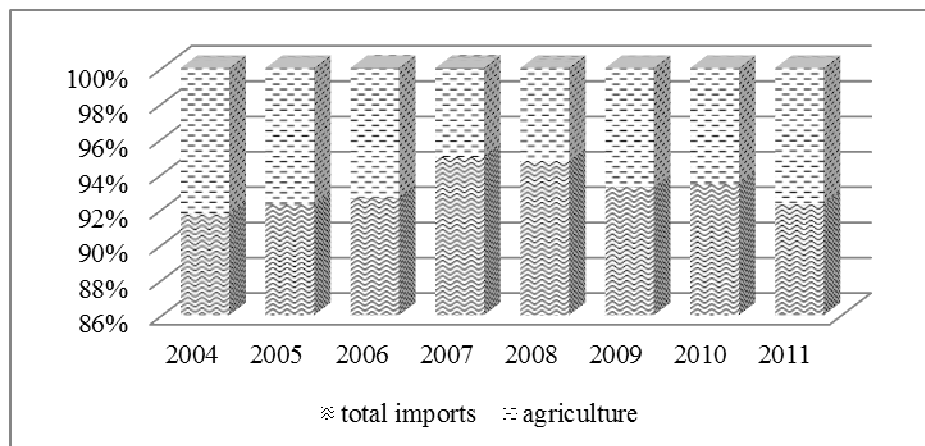
Source: According to Statistical Office of the Republic of Serbia

However, big disturbances in external trade, due to the long period of isolation and forced economic sanctions, enabled the positive trade balance of agricultural products only in 2005 with the trade liberalisation and signing of the CEFTA

agreement⁵. Opening of the EU market and bilateral trade agreements with the countries in the region led to a positive balance in external trade for agricultural products.

For the first time since 2005, with 134.2 million dollar surplus, Serbia was the net exporter of agricultural products. Due to the re-established trade liaisons, once severed, and a certain level of exporting subsidies, the external trade surplus of agricultural products has risen to 1,193.1 million dollar in 2011. There was a mildly growing trend of the agricultural share in the overall export, which has risen from 22.63% in 2005 to 24.45% in 2011.

Figure 8: The share of agriculture in total imports



Source: According to Statistical Office of the Republic of Serbia

The average value of agriculture's contribution to the overall export of the Republic of Serbia for the period of 2005-2011 is 7.13%. The contribution of the agriculture to the overall export for the period of 2005 to 2008 had a decreasing trend, and for the last three years, for the period of 2009 to 2011, it has an increasing trend again.

⁵ Standard international trade classification (SITC) by sectors is used in calculating the values of external trade for agricultural products as well as its share in overall value of import and export. The agriculture includes codes 0 and 1 (food and live animals, beverages and tobacco), part of code 2 (crude materials, except fuels), codes 21, 22 and 29 (hides, skins and furskins, raw, oil-seeds and oleaginous fruits, crude animal and vegetable materials) and part of code 4 (animal and vegetable oils, fats and waxes), i.e. codes 41, 42 i 43 (animal oils and fats, fixed vegetable fats and oils, crude, refined or fractionated and animal or vegetable fats and oils, processed).

ENHANCEMENT OF AGRICULTURAL PRODUCTION AND INTENSIVE EXPLOITATION OF INDIVIDUAL REGIONS' POTENTIALS

Since different regions are at a different level of development, each of them requires special support measures systems for exploiting their potentials. For these reasons, it is necessary, in cooperation with the Ministry of agriculture, trade, forestry and water management and other relevant institutions, to establish conditions for building regional and local institutions that would work on the development of rural areas and diversification of agricultural products with the highest potential.

The biggest share of crop farming production is in the plains, and the region of Vojvodina dominates the production of crops mostly due to the fertile land and its quality, favourable weather conditions and long tradition in these crops farming. More productive farming, which would not solely rely on the natural resources and weather conditions, would enable a higher level of exploiting the potentials of this region. This would positively reflect on growth of product competitiveness and a higher level of participation in the external trade and GDP. Although the Law on agricultural land (The official Gazette 2006, No. 62/2006) prescribes the allocation of the resources to the producers with the highest profit potential, in waiting for the finalisation of the process of restitution and privatisation, the result of distributing non-privatised land in auction is reflected, before all, in the monopoly of the individuals that have equity of suspicious origin and a low level of knowledge in the crop farming production. The productivity of crop farming is additionally threatened by the decision to allocate the subsidies per size of the harvested land and not per volume of the agricultural output. This approach to production incentives could be compared to the situation where the value of someone's work is estimated by the time the person spends at work, instead of one's results and efforts. The additional disadvantage is that only farmers who take the state land for a lease get subsidies and this is their only source of income, whereas there are no subsidies for private landowners who have agricultural output of above average volume and the agriculture is one of their additional sources of income. The outdated mechanisation directly influenced the decrease of the agricultural output, whereas the lack of appropriate infrastructure, especially the lack of storage, influenced the low redemption price of the crops. The production of these crops required huge investment since the input prices were high. The unfavourable price parity occurred since the defined redemption price for the agricultural products is in dinars and the input price is in euro. Given that there is the insufficiency of cash flow, the producers usually buy euros in barter trade where they suffer a great loss. Additionally, a high level of disproportion in commercial barter trade for seed crops where, in the majority of cases, restoring production is mostly considered unprofitable, resulted in more non-harvested areas. The accumulation of capital that does not offer the

possibility of restoring the basic input cannot help in improving outdated mechanisation. The unfavourable market conditions for acquiring external sources in financing agricultural production lead to the augmentation of non-harvested and essentially fertile land, and bad demographic structure of the agricultural population continues to deepen. The activities that would bring about the enhancement and strengthening of the crops production process would also intensely contribute to the socio-economic development of rural regions in plains, and the improvement of the market chain in production and sales of the crops should be a part of the basic goal.

The improvement of the market chain in production and sales of the crops would bring positive effects for both individual producers and the state, which would reflect in higher budget income. Higher level of productivity in crops farming would be initiated by the improvement of the price parity and, before all, by establishing the mechanism of providing input and production support. Providing input and productive crops farming would require the implementation of the following measures:

- Elimination of monopoly and promoting competition in the input market,
- Establishing the system of input quality control,
- Establishing the mechanism where the input prices follow the price trend of final products,
- On the basis of the formerly achieved agricultural output, subsidies for the procurement of the input that would incite higher productivity in crop farming, and
- Creating preconditions for initiating investment projects, which would help the restoration of the outdated mechanisation and equipment.

After the implementation of measures for providing input and improving the production, development of the market chain requires establishing the mechanism the final products sales. Selling final products effectively depends on a well-run system of public storage, where the crops are stored and sorted by quality, and it is necessary to follow market trends and sell crops at the most favourable prices. Well-established market chain would increase the scope and competitiveness of domestic crops, which would lead to the improvement of agricultural producer's position in the existing markets thus opening the opportunities for their access to the new markets as well. Expanding the share of the domestic crop farming production dominated by a large number of small household in the market is attainable by forming clusters that would represent one of the principle measures for the regional development of the Republic of Serbia. Implementing specific support measures would increase the productivity of crop farming production with the higher degree of exploiting the potentials of Vojvodina that would positively reflect in the improvement of the standard and quality of life in this region.

Regions of Sumadija and Western Serbia and Southern and Eastern Serbia, in the highland area with the lower quality of physical and chemical composition of the land, have the greatest potential in production of fruit and vine. Intensive production of fruit and vine in this region and a high degree of exploitation of overall potentials calls for the improvement of the existing market chain as well. The market chain with a high technology of farming and appropriate sales of final products can increase the profitability of fruit farming and viticulture in Serbia. Highly profitable production involves implementation of appropriate system of farming quality control, which includes examination and estimation of the land quality and implementation of appropriate agro-technical measures. Standardised production concerns the certification and input control, i.e. plants control, regulation in the pesticides trade, appropriate storage and sales of final products. To that effect, Ministry of agriculture, trade, forestry and water management of the Republic of Serbia has initiated the implementation of precise measures for intensifying the highly profitable production of fruit and vines. The future steps for improving the market chain through the enhancement of the system for providing input and farming process would involve (Ministry of Agriculture, Trade, Forestry and Water Management 2010b, p.107 and 110):

- Extension of the sufficient help in establishing parent seed farms,
- Aid in obtaining farm lots with appropriate isolation area,
- Help in introducing plant propagation by tissue culture,
- Support in introducing appropriate low vigour soils and soils that improve the quality of the fruit,
- Support in introducing container cultivation of seed plants,
- Help in purchasing rights (licence) for propagation of protected species,
- Extension of the programme for eradication of contaminated fruit farms,
- Making the division by district and creating the registry of fruit farmers,
- Encouraging introduction of good agricultural practice in fruit farming,
- Investment support in growing new modern production seed farms,
- Investment support in using modern fruit farming mechanisation and irrigation systems and
- Establishment of National fruit farming programme in Serbia.

Highly profitable production involves establishing appropriate channels of distribution and sales of final products through promotion and support to the national producer's access to the foreign markets.

Stock farming and crops production are mutually connected and the enhancement of crops farming directly influences the trends in stock farming and exploitation of the available potentials of this economic sector, which is important for Vojvodina, Sumadija and Western Serbia. The level of livestock resources determines the

volume of required production of crops for the feed, whereas, on the other hand, the volume of agricultural output for fodder crops directly determines the level of the livestock resources. Therefore, the implementation of support measures for the development of crops production would increase the level of exploiting potentials of livestock farming, and the market chain of stock farming requires adoption of precise measures of support. Higher productivity of stock farming requires additional investment for acquiring quality livestock unit, breeding, distribution and sales of stock farming products in the competitive markets. Implementing precise measures by adopting appropriate legal acts and construction of necessary infrastructure would increase the productivity in stock farming. The growth of stock farming competitiveness in the international market can be achieved by providing technical and project documentation to the stock farming households, strengthening veterinary and inspection services, introducing quality standards and establishing efficient system of control thus enabling the higher level of exploitation of the potentials of stock farming in Serbia.

CONCLUSION

Due to the limited level of funds from the agrarian budget of the Republic of Serbia, enhancement of agricultural production and intensive exploitation of potentials in specific regions largely depends on the level of FDI inflow. Low inflow of FDI in agriculture influenced the lack of competitive agricultural products and more intensive migration of the population into cities that disrupted the balance of the demographic structure of agricultural population and increased the non-productive farming in small lots with outdated mechanisation. Adoption of appropriate legal framework, institutional reform and support and a finalisation of restitution and privatisation process would influence the higher inflow of foreign capital that would contribute to the socio-economic strengthening of rural areas. Enhancement of market economy in rural areas would influence the development of infrastructure and growth of the population living standard, which would reduce the migration of younger population to the urban areas, restore the instruments for agricultural production and increase its total productivity.

Establishing market chain of production and sales of crops would contribute to the better price parity that would enable restoration of outdated mechanisation and increase reproductive capacity of agricultural producers since this would make both national and international markets accessible. Productive crops production would directly influence the growth of livestock resources that requires quality improvement. It can be achieved by enhancing the market chain, procuring funds for buying animals with high genetic potential in livestock units, creating conditions as prescribed by standards for breeding and using appropriate channels of distribution

and sales in the competitive markets. Creating the market chain of fruit production with the high technology in farming would increase the profitability of production and level of exploitation of the natural potentials in Sumadija and Western Serbia and Eastern and Southern Serbia. These regions are infamous for empty and abandoned villages or under populated areas with less than 100 inhabitants of average age of 65.

Rural development of individual regions by higher level of exploitation of their natural resources would lead to the improvement of demographic structure of agricultural population of the Republic of Serbia that would positively affect its contribution to the overall employment and GDP.

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