



Systematic framework and measures of economic policy in function of Serbian agriculture improvement requirements

Cadrul sistematic și măsuri de politică economică în funcție de cerințele de îmbunătățire a agriculturii din Serbia

Research assistant Branko KATIĆ, M.A.
Institute of Agricultural Economics, Belgrade, Serbia
e-mail: branko_k@mail.iep.bg.ac.rs
Professor Drago CVIJANOVIĆ, Ph.D.
Institute of Agricultural Economics, Belgrade, Serbia
e-mail: drago_c@mail.iep.bg.ac.rs
Research trainee Lana IVANOVIĆ
Institute of Agricultural Economics, Belgrade, Serbia
e-mail: lana_i@mail.iep.bg.ac.rs

Abstract

One of the most significant economic activities in Serbia is agriculture, which also represents the base for food industry and some other branches of processing industry. In this field Serbia finds its developmental opportunity in future period. Inclusion of the country in EU, as well as in the World Tourist Organization, implies appropriate preparation and qualification in this field, so there could be more successful deal with rising competitiveness of foreign goods, in conditions of increasing liberalization level of foreign trade. Therefore, domestic regulatory rules must be adjusted to EU regulatory rules, like as concrete measures regarding agriculture and rural development improvement must be adjusted to the measures in the Joint EU Agrarian Policy. Serbian agriculture is in quite bad condition, and financial possibilities of the state, to expedite its development by abundant assets, are still insufficient. In terms of recession, caused by world economic crisis, too, incentive assets reduce, while making business in this field become more and more aggravated. This paper points out, in short, to significance and condition of agriculture in Serbia, on regulatory rules and future plan documents important for this field, as well as on concrete measures, which have to be undertaken in order to improve this activity.

Keywords: *agricultural production; legislature in the field of agriculture; developmental documents; rural development, incentive measures.*

Rezumat

Una dintre activitățile economice cele mai semnificative în Serbia este agricultura, care reprezintă, de asemenea, baza pentru industria alimentară și alte ramuri ale industriei de prelucrare. În acest domeniu Serbia găsește oportunitate de dezvoltare în perioada viitoare. Incluziunea țării în UE, precum și în Organizația Mondială de Turism,

implică pregătirea adecvată și calificarea în acest domeniu, astfel încât să aibă mai mult succes în confruntarea cu creșterea competitivității mărfurilor străine, în condițiile creșterii nivelului de liberalizare a comerțului exterior. Prin urmare, normele interne de reglementare trebuie să fie adaptate la normele de reglementare ale UE, ca și măsurile concrete privind agricultura și îmbunătățirea dezvoltării rurale care trebuie să fie ajustate la măsurile Politicii Agrare Comune a UE. Agricultura sârbă este în stare destul de proastă iar, posibilitățile financiare ale statului, pentru a accelera dezvoltarea de active abundente, sunt încă insuficiente. În ceea ce privește recesiunea cauzată de criza economică mondială, de asemenea, reducerea activelor de stimulare, în timp ce a face afaceri în acest domeniu devin tot mai gravă. Această lucrare punctează, pe scurt, semnificația și starea agriculturii în Serbia, normele de reglementare și viitorul plan, documente importante pentru acest domeniu, precum și pe măsuri concrete, care trebuie să fie întreprinse în scopul de a îmbunătăți această activitate.

Cuvinte-cheie: producția agricolă; legislatura în domeniul agriculturii; documente de dezvoltare; dezvoltare rurală, măsuri de stimulare.

JEL Classification: Q15, R14, R52, R58

Introduction

S erbia is an agricultural land. There are natural conditions for agricultural activity, enough agricultural land, water potentials and favourable climate. There are also subjects who act in this field, big, small and medium enterprises, agricultural cooperatives, entrepreneurs and family agricultural husbandries. Their productive possibilities and business results are different. Still major impact of climate characterizes them all, due to insufficient irrigation, weak technical equipment and market uncertainty, and regarding massive number of family husbandries, also the lack of vital labour, as well as fragmented property.

Owing to agricultural significance, not only regarding economic, but also strategic aspect of the activity, in this field exist appropriate legislature, which regulate proceedings and relationships in it. It organizes agricultural land, as the most significant natural resource in this field, taking into consideration also property relations among the land, brings long-term developmental documents, which by it determines developmental processes and proclaims and undertakes solutions and measures (provide realization of determined policy, i.e. developmental goals). The legal regulatory rules, as well as incentive measures, adjust to EU regulatory rules, while Serbian strategic goal is to become a member of this European states' community.

The measures that have been undertaken had been by material possibilities, and determined by developmental policy. Along with material, they also have organizational dimension, which add up to the activities organized by local active

participants, especially in rural areas, as in regard to more efficient usage of incentive assets from the governmental level, as well as directing local capacities in order to improve life conditions in these areas (Cvijanović, Katić, Kljajić, 2009). The model of economic activities' multifunctionality keeps getting its significance, which has already given good results in practice of EU countries. One of the activities with organizational characteristics is also development of network for support to rural development, well accepted for its good initial results on terrain.

Serbia is poor land, with limited possibilities for supporting agriculture (Katić, Popović, 2009). During previous years, the structure of incentive assets' utilization had significantly changed, and in this year those assets were decreased considerably. There is no doubt that it will reflect negatively on further course of production, and more over, to rural development, which has been in big crisis, as well as on production courses in food industry, which had exploited raw materials from the agriculture. Therefore, the developmental documents will be realized in longer period than predicted one.

The state of agriculture in Serbia

The importance of agriculture emanates from a fact that it participates in creating GDP with around 20% and it employs also around 20% of total number of workers. Agricultural population does 10% of total population (population census from 2002). The agriculture is the only activity from real sector of economy, by which products Serbia realizes in foreign trade exchange – a positive balance. In total Serbian exchange, the agricultural-food products participate with 10,12%, where these products' export in its total export in 2008 participates with 17,84%, and in total import participates with 6,41% (Statistical Office of the Republic of Serbia, 2009).

The agricultural land represents the most important productive factor in agriculture. It requires full attention of the state and each of its users, as in regard of protection, as well as regarding organization and utilization. This resource in Serbia does 62,5% of its overall surface and range over 5 million hectares. In urban and, so called, peri-urban areas, this land are under constant pressure, regarding usage in other purposes, first of all, in construction purposes. It implies great precaution and very rational relation between requirement for construction parcels and need for land preservation, meant for agricultural production. Along with total reduction of agricultural land surfaces, there can be observed a transformation of its structure, so there is significant increase of surfaces under meadows and pastures, and decrease of arable surfaces like ploughs, gardens, orchards and vineyards. If it could stipulate increase of livestock production, as more economical part of agriculture, it would be both rational and gainful. Unfortunately, the livestock production keeps decreasing too, while many agricultural properties in transition and privatization process have endured great

transformations also regarding production structure, and many of them had been closed. On the other hand, individual husbandries are not physically capable, neither for more intensive dealing with livestock breeding, nor have interest for it, because of uncertainty of placement and low competitiveness on the market. When it is about the agricultural land, there yet have not been solved complex problems related to its property, which cumbered also its adequate utilization. The problem of restitution or compensation to owners or their inheritors of previously dispossessed agricultural land is still topical. Its overcoming keeps delay, and without it, accurate registration of agricultural land in state property (now leases according to certain criteria and priority level) is impossible. There is a need for modernization of inheritance legislature, in terms of limitation the fragmentation of land parcels and inheritance to persons who do not deal with this activity.

State policy is such to create production structure, which should be both profitable and competitive, on domestic and foreign market. The circumstances which had done in Serbia in last two decades, as well as current economic crisis, hinder considerably the realization of such goal. The production its self has been characterized by extreme oscillations, especially in its herbal part, which has been a consequence of more or less (un)favourable climatic circumstances, and naturally, economic power of producers. In period 2005-2007, this production was constantly decreased and in 2008 was for 9% higher than in previous year. Its predicted growth for 2009 is 3%. Serbian agriculture still has not recovered of great stumble from period of Serbian international isolation, still do not dispose with sufficient financial assets for normal functioning, and has not renewed and modernized the equipment it has used, or unable to use enough modern equipment and technology. Just very small surfaces irrigate, while a part of existing irrigation systems has been negligible. The average property of individual husbandries (under 3 ha) increases slowly. Land market (purchase and lease) is still undeveloped, while long-term crediting for this purpose even does not exist. Also those agricultural cooperatives, which outlived in transition processes, the most often are not in function of connecting the cooperators, in order to achieve more favourable results in their work, but deal with other activities (mostly trade). Creation of favourable productive structure in Serbian agriculture (subjects with modern equipment, technology and responsible management, who would successfully deal with market competition) is slow and insecure.

Besides fact that budget resources for supporting the improvement of agricultural production (and rural development) were decreased, which have left consequences on its trends, existing economic crisis also have multiplied effect on the agriculture, too. Budget assets, meant for incentives in agriculture and rural development, are nominally less for a quarter than in previous year.

The crisis weakens macroeconomic stability, especially due to pronounced imbalance in the country's balance of payments. The crisis effects to decrease of demand, as in the country, as well as on foreign markets. Uncertainty of products' placement or their placement according to low prices brings the producers into

tough situation, in losses, impossibility to reconcile debt and start new production, along with irretrievable consequences to total agriculture of Serbia. This refers to almost all sectors in agriculture, as well as on food industry. In first semester of 2009, agro-industrial production in Serbia was less for 17,4% than in the same period previous year. At the same time, in processing industry, decrease was 22,1%, and in food industry 8,6%.

Numerous agricultural producers have taken long-term credits from banks along with support of budget assets, in order to expand or modernize production. Repayment of these loans is related to the currency clause. In conditions of local currency weakening, their regular technical support becomes more difficult. Unless they come into situation that liabilities cannot be reconciled (due to weak economic results in the activity), their survival is under big question mark. After more appreciable weakening of local currency in the beginning of crisis, thanks to overtaken measures of the Government, as well as the Agreement with IMF on three-years-lasting arrangement for support to exchange rate, the currency is relatively stable for now, which is encouraging both for economic entities and population.

The crisis will inevitably aggravate Serbia to get candidate-status for membership in EU, which would provide the access to utilization of all components from pre-accession EU funds, especially within Instruments for Pre-accession Assistance 2007-2013. Crisis in Serbia, like as in other West Balkan countries can aggravate and significantly decelerate enrollment in EU.

Along with existing problems and difficulties, in which Serbian agriculture is at the moment, the agriculture of Serbia and its food industry are capable to produce sufficient quantities of food, in near future, for food needs of population, as well as to realize positive balance in foreign trade.

Systematic framework – basic legal resolutions and planning documents

As previously underlined, there are several reasons for directing state's concern toward agriculture. "The state, by its activity, acts in several directions: it regulates economic system in which the economy function, as well as the agriculture; it also acts on usage of natural resources in this field, by legal and other regulations, as well as on production structure. It also determines the agrarian policy, as an element of state's economic policy and undertakes measures by which that policy is going to realize in specific time periods" (Katić, 2006, p. 121).

Basic legal resolutions

In order to improve and adjust existing regulatory rules with EU regulatory rules, has been brought a set of laws, which regulates numerous and extremely important issues in the field of agriculture. Recently was brought 15 laws

significant for agriculture, besides 5 on which was pointed out here: Law on plant health, Law on means for plant protection, Law on means for plant nutrition and soil improvers, Law on wines, Law on rakia (brandy) and other beverages, Law on ethanol, Law on amendments and alterations to the Law on reproductive material of wood trees, Law on livestock breeding, Law on animal welfare, and Law on right protection of plant sorts' improvers. These laws represent the improvement of existing regulatory rules, which was exceeded concerning certain questions, especially when having in mind several laws on federal level being into effect. One of the assumptions for getting candidate status for EU membership and enrollment itself, as well as accession of Serbia to WTO, has been adjustment of these regulatory rules to the one in EU.

All these laws have extreme importance for overall Serbian economy, its agriculture, food - industry, rural development, than human health, animal health and environment preservation. On some of these laws, we point out in short:

Law on Agriculture and Rural Development (2009). The resolutions in this law should represent base for managing agrarian policy and rural development policy. These policies enclose measures and activities which undertake the authorities, aiming to: strength the competitiveness of food products on the market; providing quality and healthy food; supporting the life standard for agricultural producers which cannot provide economic survival on the market; providing support to rural development; protection of the environment from agricultural production's negative effects. These policies conduct by adopting and realizing the "Strategy of Agriculture and Rural Development of the Republic of Serbia". Long-term developmental directions determine by it: establishing the market economy, increasing the agriculture profitability etc. The Strategy is yet to be brought. The government should bring it for period no less than 10 years. At the same time has been envisaged some special developmental documents:

a) National program for agriculture, in which determine middle-term and short-term goals of agricultural policy, method, procedure and terms for realizing mentioned goals, expected results, as well as form, kind, application and size of some incentives. This document was prepared by the Ministry of Agriculture, Forestry and Water Management and was available to the public at the web site www.minpolj.gov.rs. The period cannot be longer than 7 years.

b) National program of rural development, which includes measures and activities, as well as expected results, forms, kinds, applications and sizes of certain measures of incentives. This document also brings for period no longer than 7 years.

Both of these programs bring the government, proposed by the ministry authorized for agricultural activities.

The incentive system regulates legally for the first time, which is extremely important for users of those incentives – agricultural producers and other active participants in the field of rural development. Therefore involves bigger certainty

in measures' persistency and continuity (unlike previous resolutions which had been brought annually, by special government regulations). The incentives, according to the Law, can be:

- 1) Direct incentives: premiums, incentives for production, regressions and support to non-commercial agricultural husbandries;
- 2) Market incentives: export incentives, storage costs, credit support;
- 3) Structural incentives: measures of rural development, which stimulate competitiveness improvement in agriculture and forestry – investment in these fields, introduction of new standards in production and overturn of agricultural products, improvement of environment protection program, preservation of biodiversity and rural economy diversification program and improvement of life quality in rural areas; improvement of agricultural land protection and quality – improvement of physical, chemical and biological characteristics of soil, and measures of institutional support – stimulus of research programs in agriculture, consulting services program, promotion of agriculture etc.

There is enabled to authorities in autonomous province and local authority units to determine supporting measures for conducting agrarian policy for their areas, which can increase total incentive measures and their efficiency. This support has to be in harmony with mentioned national programs.

The important role is meant for Agrarian Payments Office, which form by this law (within the Ministry of Agriculture). It has several tasks regarding management of agricultural husbandries' registry and taking care of the incentives, starting from applications and open competition announcement to decisions making regarding right to use incentives, repayment of those assets and registration of allocated assets. Its duty is to execute the programs of international incentives to Serbian agriculture, submit appropriate reports and analysis to the Ministry of Agriculture etc.

Law on agricultural land (2006; 2009) sets significant issues for planning, protection, organization and utilization of agricultural land. Its special characteristic regards to regulation of method for agricultural land (in state property) utilization by its leasing, i.e. by public competition to physical persons and legal entities, ready to use it with certain recompense. Priority right for lease relates to physical persons and legal entities who are the owners of functional system for irrigation and drainage, fish ponds, permanent crops (3 to 15 years old) and vineyards (3 to 30 years old), as well as functional agricultural facilities on that land. The assets realized from state's land leasing direct in realization of annual programs of protection, organization and utilization of agricultural land. This contributes to development of agricultural land lease market, than equalize conditions for users of state land, because they all can participate in auction, accelerates the development commercial agricultural husbandries, as bearers of agricultural production.

According to this law, the agricultural land (ploughs, gardens, orchards, vineyards, meadows, pastures, fish ponds and swamps rank among) has a status of general interest property. The agricultural land, determined as structural, should be used for agricultural production, till that purpose starts to realize. There excludes the possibility that the agricultural land owner is foreign physical person or legal entity. The Statute of the Republic of Serbia equals foreign and domestic persons/entities on the market and provides acquirement of the property over immovables "in regard to the law and international contract". Signed Agreement on Stabilization and Accession to EU postpones this possibility for four years from the day of its coming into effect. It is obvious that follows further regulations adjustment. It is forbidden to dispose waste and harmful matters on agricultural land and also in canals for irrigation and drainage. According to special program examines the agricultural land and water for irrigation. In case dangerous and harmful matters determine in irregular quantities, the production on such land suppresses, i.e. the use of incorrect water for irrigation. It is one of the measures for providing sustainability of this resource. The law contains exceptions in which has been permissible to use agricultural land in non-agricultural purposes.

Directorate for agricultural land should be established by the law (within the Ministry of Agriculture), whose authority would be: to manage with agricultural land in state property; set up and manage information system on agricultural land; direct working assets by which realize annual programs of protection, management and usage of agricultural land and follow their course; follow creation of the Republic of Serbia's agricultural base; realize international cooperation in the field of management and utilization of agricultural land, as well as other businesses linked to this issues.

Law on public warehouses for agricultural products (2009). One of methods for providing agricultural producers to get to, before all, working capital for starting new productive cycle, is developed system of public warehouses and securities. Developing financial market by securities (warehouse certificate, commercial papers, futures, options and similar) provides easier short-term financing of agricultural production, also under more favourable conditions than classical bank credits.

There is about organization of public warehouses and commercial papers. The public warehouse which has permission for this kind of business, issues regular commercial paper, to the owner of agricultural products which are stored. This commercial papers, the goods owner and owner of the commercial paper, can use securities (it has cover in stored commodity) either as piege for getting credit in financial institution, or to sell it. Those securities mean a warranty for existence of such goods, which also guarantees warehouse by itself through Compensation Fund (provides likely the compensation).

In this way the agricultural products' market develops and, at the same time, establishes trust between a buyer and a seller, in a way that exist warranty of

public warehouse for quality and quantity of agricultural product (i.e. securities for such product) and is under permanent control of authorized inspection. In order to see the effects of these decisions, certain time period is required, for establishing the public warehouses, informing the producers, convincing the banks in this kind of financing usefulness etc.

Law on food safety (2009) regulates all aspects linked to food safety and animal food. For protection of human life and health is inevitable to use healthy and sanitary correct food. That also represents fundamental human right. In order to provide it, determines the system of production, overturn, food control and consumption, whether it is about domestic origin food or exported food. It doesn't imply that food safety did not exist until now, but it was regulated by several laws and sublegal regulations, with insufficient demarcation of state bodies' authorities. New system of food safety and animal food encloses all aspects as primary production and processing, as well as turnover and supply of consumers. It is becoming overall. There has been determined that subject who deal with food and animal food had responsibility for food safety, while the inspection has been done according to risk evaluation and undertaken control out of control plan. The control outside determined plans as always undertakes when there is a doubt about breaking set up rules, but could be undertaken even when there isn't any doubt. The sanctions should be efficient with preventive effect. The laboratories, which exam food samples, must be accredited. It is significant to establish Expert Council, as independent body for risk evaluation, helping authorities to manage risk efficiently in this field. The system of fast notification and alarm will provide to undertake necessary measures urgently. All subjects in food business inscribe in unique Central Registry, according to regulated conditions and approved by the Ministry of Agriculture. There has been introduced also self-control system for all subjects which deal with food and animal food, applying good productive and good sanitary practice or HACCP control program (critical points). The applied self-control system must be verified. There is also anticipated the adoption of the Program for Managing in Crisis Situation, which by fortify the procedures for reacting in those risky situations caused by food.

Law on genetically modified organisms (2009). This law sets up control system, in order to protect environment and population health from eventually harmful consequences of modified organisms' use or their basis products. The solutions relate on every level in which such organism can apply, like biotechnology, agriculture, food, environment protection, biodiversity. Obligation of informing the publicity on activates linked to genetically modified organisms introduces.

The law specifically forbids placement of modified live organism (MLO) and its products, as well as commercial breeding on territory of the Republic of Serbia. The Expert Council establishes in order to discuss on important professional issues and to give professional opinions regarding MLO, like risk

evaluation during in purpose introduction in the environment, providing opinions on conditions fulfillment for getting license for use in closed systems etc.

Proposal of two Developmental Documents

During 2009 year, there were two documents available to public on web site of Ministry of Agriculture, Forestry and Water Management (<http://www.minpolj.gov.rs/>), in the form of proposals. It was about the National Program of Serbian Agriculture, 2009-2011 and the Plan of Rural Development Strategy, 2009-2013.

I. The National Program of Serbian Agriculture 2009-2011. Along with the analysis of ambience in which will further function the agriculture of Serbia (demand for these products, surroundings, first of all, CEFTA and EU countries, influence of world economic crisis), this program contains also goals and measures of agrarian policy in future period. The program contains seven goals, with specific goals within each of them. The goals are as following:

1) Increase of competitiveness, which implies this economic sector construction, capable for market competition and contribution to increase of national income, which requires more efficient agrarian policy, increase of investments and other forms of support. It anticipates investments' increase in this sector of no less than 5% annually, total amounts of credit for 20% more than in 2008, increase of artificial fertilizers' consumption of 5% annually, and increase of this product's export in this sector for 25% in this period (2009-2011);

2) Providing food which satisfies consumers' needs by its quality and safety (permanent appliance of new law on food safety);

3) Support to life standard for agricultural population who does not develop husbandry according to reform requirements, through direct support to husbandries according to age criteria, stimulating them to lease the land to commercial husbandries, improving pension, health and social insurance of agricultural producers (decreases the number of un-commercial husbandries and increases number of contracts by which their land renounces to commercial husbandries for exploitation);

4) Development of village by supporting sustainable development of rural areas, through improvement of cooperation with local authorities (number of contracts with local authorities for financing the rural development is in increase for 10% annually, while was prepared more projects for financing from IPA(RD) funds), increase of investments in rural development and activities diversification in all regions (Cvijanović, Katić & Kljajić, 2009);

5) Environment protection from negative effects of agricultural production to the environment, also by supporting the investments on farms for adjusting the EU standards, as well as support to organic production development (it is

anticipated that surfaces under organic production increase by rate of 10% annually), and introduction to good agricultural practice;

6) Accession to EU by preparation of Serbian agriculture for full membership in these European countries' community, establishment of market economy capable for integration into the Union's market, capability to sustain domestic economy in conditions of unobstructed commodity accession from the Union, as well as overall adjustment of domestic regulations with appropriate EU regulatory rules (Acquis Communautaire);

7) Accession to WTO, adjusting the policy of domestic support and trade in the field of agriculture to WTO regulations, which requires decrease of domestic support and import protection to this sector, along with possible gradation and improvement of competitive ability of domestic agriculture.

Those goals will realize with support of budget sources and donations. Opposite of a fact that, tendency of budget assets for support to agriculture (and rural development) increase, has been set up, there was a plan for increasing those assets up to 5% of total budget size. The structure of those assets usage will move in direction of investments increase, support to rural development, introduction of standards, but also increase of export stimulations and support to producer's income. Crediting support would stay on existing level (nominally), along with decrease of participation in total funding support. Donors would support this sector development by funding concrete projects. There counts also on assets usage according to fifth component of EU IPA funds, which would be directed to agriculture and processing industry competitiveness improvement (contribution to the first goal realization), on environment protection from harmful effects (contribution to realization of the fifth goal), as well as support to rural development.

II. The Plan of Rural Development Strategy, 2009-2013, represents a precondition for use of IPA support to candidates and potential candidates for EU membership. It gives more detailed review of state in rural areas of the republic in comparison with the average, or urban areas; does typization – categorization of rural areas according to uncontested dissimilarities among them. Four types – regions of rural areas in Serbia have been determined, which can be a base for making specific strategies, policies and measures for their development, as well as for state level intervention; it points out: wealth of biodiversity and jeopardy of flora and fauna, water resources and level of water potential jeopardy, as superficial, as well as underground water, disadvantage of erosion for land quality; determines the visions (for sector of agriculture, food industry and vision for rural Serbia), strategies and measures which are anticipated within each of priority axis, improvement of the market efficiency and application of EU standards (preferential axis 1), realization of preparatory activities for conducting the agro-ecological measures and strategies of local development (preferential axis 2) and providing rural economy development (preferential axis 3); anticipates indicative assets for

realization of future National Program of Rural Development, in amount of 437,5 million EUR until 2013, out of which 250 million from the republic budget and 187,5 million EUR from IPA(RD) support. The influence of existing economic crisis can affect those amounts.

Basic developmental programs on annual level in past several years has represented Memorandum on Budget and Economic and Fiscal policy for specific year, with projections for next two years, which had determined current economic policy, whose integral part is existing agrarian policy, while the concrete assets, as material support to development, have been determined by annual budget, along with assets for realizing basic governmental functions (Memorandum o budžetu i ekonomskoj i fiskalnoj politici za 2009 godinu ..., 2008; Memorandum o budžetu i ekonomskoj i fiskalnoj politici za 2010 godinu ..., 2009).

Some concrete supportive measures

Along with legal resolutions, which regulate numerous important issues both for agriculture and rural environment, and plan documents, which by direct development, undertake concrete measures, instigate certain activities and directions of development, whether as universal or specific, adjusted to conditions and requirements of concrete environment. Among the measures are:

- Measures of organizational-technical nature, which can achieve better effects, by improvement in organizational approach and methods of planning, coordination and managing the development.

Numerous problems emanate from insufficient organization, distrust, lack of entrepreneur initiative, fear from new and unknown etc. There from the measures of organizational-technical character are very important for removal of non-material obstacles. Starting from this condition, as well as the practice in EU countries, which showed as effectual, the ministry of agriculture has opted for support to gradual removal and mollification of those problems. For several years supports education of Network for support to Rural Development and its activities. This network consists of regional and district centers, organized to provide good link between the ministry and interested subjects on terrain, as well as better cooperation, informing, training in significant aspects for activities improvement, whether in the field of agriculture or other activities in direct or indirect bound with agriculture. Until now, in the republic were established 11 regional centers: Novi Kneževac, Vršac, Loznica, Ljig, Veliko Gradište, Kragujevac, Kraljevo, Zaječar, Niš, Leskovac and Vranje, while the establishment of four more is ongoing: Subotica, Novi Sad, Sremska Mitrovica and Kruševac. District centers should be established in every municipality, so the whole republic (without KM) would be connected by the internet (Popović, Katić & Miljković, 2009). In this process should make basis for setting up local action groups (LAG), which would represent also the institutional frame for use of IPA(RD) EU funds on local level;

- Stimulation measures – incentives, in the form of subsidies, various forms of financial support, credit facilities and similar.

Owing to economic crisis, i.e. recession, this year's budget is more modest than previous years, especially when it is about the assets meant for agriculture. Total assets in this year budget, meant for the Ministry of Agriculture, in 2009 nominally, are less for 20% than in previous year, and the assets meant for incentives are less for 24%. At the same time, in total budget expenditures, the participation of assets meant for the Ministry was decreased from 4.71% in 2008 to 3.70% in 2009, i.e. incentive assets in budget expenditures from 4.45% in 2008 to 3.27% in 2009. The assets meant for subsidies in the form of specific incentive measures for improvement of agricultural activities and rural development for 2009 amount 17.2 milliard RSD (around 185 million EUR), or for 25% less than in previous years. Some of already determined forms of incentives have been suppressed. This will reflect unfavourable also to effects in agricultural production, as well as development of rural economy.

According to the Program of Allocation and Use of Subsidies in the field of Agriculture, Forestry and Water Management for 2009 (see www.minpolj.gov.rs), or concrete governmental regulations, these assets was directed to following purposes, that we classify in accordance with the Law on Agriculture and Rural Development: direct incentives, market incentives, structural incentives.

Direct incentives

Regression of the production materials in 2009 (Regulation on conditions and method of using ..., 2009). For this purpose directs the highest amount of anticipated incentives in this year (10 milliard RSD). The regress relates to mineral fertilizer, seed with declaration and fuel (diesel, euro diesel and bio-diesel), which should increase productivity and competitiveness of the producers. Right to use the regress have physical persons – carriers of agricultural husbandries for timely applied surfaces on which is going to realize crop and vegetable production (0,5-100 ha), besides fulfillment of other conditions. The amount of regress is 12000 RSD per 1 ha (5000 for mineral fertilizer, 4000 for seed with declaration and 3000 RSD for diesel). At the same time, registered agricultural husbandries for applied surfaces under tobacco in 2009 have right also to use the assets of 20000 RSD per a hectare.

Additionally was determined also right to regress for use of mineral fertilizer in autumn sowing 2009 (Regulation on conditions and methods of assets ..., 2009), in a way to regress purchase of mineral fertilizers for the autumn sowing: NPK, P, NP and PK. The right to use this convenience has agricultural cooperatives and physical persons – carriers of agricultural husbandry in amount of 10000RSD per 1 t of purchased mineral fertilizer.

Stimulus to production and purchase of tractors (Regulation on conditions and method of stimulating ..., 2009). There stimulates sale, i.e. purchase (production, too) of new tractors produced in Serbia with total amount of 400 million RSD, or 2000 EUR per a tractor, in dinar equivalent. For that amount the buyer – agricultural producer pays less selling price of the tractor. Registered agricultural producers – physical persons and legal entities have the right to use this stimulation. The user who purchases the tractor on this basis cannot sell it for next three years from the day of first registration.

Payments for premiums for milk (Regulation on premium ..., 2009), has been prolonged in this year, too, and only producers – physical persons, under certain conditions, have right to use it, among which is to submit at least 2.500 l of milk per a quarter. The amount of the premium is 1,4 RSD per liter of raw milk. This year, the amount of the premium between producers in lowland and hilly-mountainous areas does not differ. The amount of premium induces decreasing tendency.

Support to non-commercial agricultural husbandries (Regulation on use of incentives ..., 2009), in past years has been directed to carriers of agricultural husbandries, which had status of non-commercial, provided that they could not use other incentives, except premiums for milk and support for land lease. The amount of incentive – support was amounted 40000 RSD per husbandry member, older than 65 years. When this regulation was cancelled, there was provided to those husbandries to use other incentive measures under same conditions (Annex of Regulation ..., 2009).

Support to livestock production (Regulation on using the incentives ..., 2009; Regulation on Program ..., 2009) realizes by:

- Stimulating genetic improvement of livestock breeding, in a way that physical persons, carriers of agricultural husbandries, realize certain amount per an applied head of cattle on the husbandry (for example, for cow 12000 RSD), for high-quality cows, sheep, goats, sows, and the least was determined, i.e. the highest number of heads for which support can be realized, for example at least four and the most 100 cows. The assets in amount of 1 milliard and 160` million RSD was asided for this.
- Financing selection measures which must realize according to big and small ruminants, hoofed animals, in pig breeding, poultry breeding and bee keeping. For each of mentioned species were anticipated concrete measures of selection, price per measure unit in RSD and total amount for each measure. The measures realize within several-years-lasting program for conducting measures of selection for time period from 2008 to 2012.

Insurance regression of animals, crops and fruits (Regulation on conditions and method of using assets for regressing the insurance ..., 2009), is provided for physical persons – carriers of agricultural husbandry, in amount of 40% insurance benefit, in insurance company.

Support to improvement of fruit production (Regulation on incentives use for raising ..., 2009). Budget sources impel the base of productive and master orchards, vineyards, and especially soft fruits. Right to use the incentives for productive plantations, for now, have only physical persons, entrepreneurs, agricultural cooperatives, economic enterprise rank among categories of small enterprises and churches and monasteries, and for master plantations – entrepreneurs, agricultural cooperatives and small enterprises, registered for planting material production. The least surfaces for productive plantations of fruits are 0,5 ha and 0,3 ha for grape vine and hop plantations. Minimal surface for master plantations is 0,2 and maximal 2 ha per a user. The amount of incentives depends on fruit kind, maximal and minimal number of young plants per hectare, whether planting material is standard or certified category, or it is about productive, i.e. masters plantations. The assets pay off per a young plant unit.

The same users are for productive plantations of strawberries as with fruit plantations, with exception of churches and monasteries, i.e. the same users with master plantations of strawberry (like with fruits). Minor surface for plantation that incentive can be realized for is 0,3 ha for productive and 0,2 ha for master plantation, while major surface is 5 ha for productive and 2 ha per master plantation. The amount of assets depends on number of young plants per hectare and the incentives pay off per hectare, not per young plant.

Market incentives

Incentives for export of agricultural-food products (Regulation on usage of subsidies ..., 2009) have been prolonged in this year too, but with significantly less assets than in previous year. Right to use incentive assets have exporters – legal entities and entrepreneurs, who export the goods on which the incentives settles, if it is about domestic origin goods, what is verified by the authority, and for wine and other alcoholic beverages if they are produced from grape and fruits produced on the territory of the Republic of Serbia. The exporters who export the products in countries Serbia has CEFTA 2006 Agreement with (Albania, Montenegro, BH, Croatia, Macedonia and Moldavia + UNMIK for KM area), as well as wine exporters within allowed (preferential) quota, from 63000 hectoliters in EU in accordance with Interim Agreement, do not have the right to use these assets. The right to use incentives does not have also the exporters if the export was realized within barter arrangements and mediation business in trade. The export stimulates, depending on product's kind, by application of incentives rates of 5 (e.g. peas), 10 (prune), 15 (beef) and 20 (milk), on valid accounting base line. The assets for this purpose are significantly less than in 2008.

Support to agricultural producers' crediting (Regulation on determination ..., 2009). The budget resources and assets which come from paid credits approved for agricultural production improvement in previous years, through Fund for stimulating the agricultural development and through business banks, use for crediting the agricultural production in this year under more favourable conditions, than those which are on Serbian financial market. There were determined two models for using credit assets of agricultural husbandries in 2009:

- Short-term credit which use physical persons – bearers of agricultural husbandries, i.e. physical persons and agricultural cooperatives when they have commercial papers issued in accordance with the Law on Public Warehouses, and use them as a guarantee for outstanding debts in banks after approved short-term credits (a part of interest on used credit amount subsidizes – in amount of reference rate of National Bank of Serbia). Those credits are approved by business banks for realizing the outgoing and season activities. The assets for interest subsidy approve after approved short-term credits by business banks, under condition that the credits are meant for agricultural production and payment term up to one year (three, six, nine and 12 months), with maximal interest rate of the most 5% (for credit users according to commercial papers 3%) above reference rate of NBS on annual level, without currency clause, i.e. in RSD. The interest pays together with basis after credit due-date. The amount of credit is limited to 700 000; if it is used according to guarantee commercial papers for physical person up to 1, and the cooperatives up to 3 million RSD, depending on guarantee amount. There has been provided 300 million RSD.
- Long-term credit of legal entities and physical persons in this field, for what was provided the assets in amount of 3 milliard RSD. They are also approved by business banks, and the Ministry's assets are approved as participation after approved long-term credits meant for investments in fixed assets (except for land purchase) in the field of agricultural and food production. In approved assets, the Ministry provides 40% and business bank 60%. On the assets from the ministry user does not pay the interest. The credit has currency clause. It pays off in term of five, i.e. eight years if it is for permanent crops, along with grace period of 1 or 3 years (permanent crops). The amount per a user is limited to 5 000 to 300 000 EUR in RSD equivalent value.

Structural incentives

Support to village development. This support means support to investments in agriculture (Regulation on assets usage for support to village development through support to investments ..., 2009), increment of agriculture competitiveness (Regulation on assets usage for support to village development through

competitiveness ..., 2009), and improvement of human capacities in agricultural cooperatives (Regulation on allocation and usage of incentive assets ..., 2009):

- The incentives to investments in agriculture have been meant for: construction of facilities important for livestock production – animal accommodation, animal food and stable manure, for physical persons – bearers of agricultural husbandry and construction of coolers, silages and purchasing the equipment for sorting, calibration, cleaning, polishing, packaging, vacuuming and similar, but in harmony with HACCP requirements, which can use agricultural cooperatives, under certain conditions. The incentive assets assign in certain percentage (50% for marginal areas and 40% for other) from investment value, reduced for the amount of VAT, and the rest users provide from their own sources.
- The incentive of competitiveness increase was directed to: agricultural husbandries – physical persons, by purchasing the agricultural mechanization, equipment and purchasing the qualitative breeding material, and entrepreneurs and legal entities (classified in small enterprises) from agricultural-food activity for equipment purchase for wine and rakia (brandy) production. The incentive assets, which assign non-repayable determine in percentage of 30% for users in other areas and 40% in marginal areas, from the amount paid for purchase of the mechanization, equipment, qualitative breeding material, with reduction of VAT. Maximal amount of incentives per a user is limited to 600 000 RSD.
- Support to personnel strengthening of agricultural cooperatives' representatives (director, members of Steering Committee or president of the cooperators' assembly), through training in the field of management, trade, marketing, accountancy, and implies study tours, in order to introduce with successful practical examples, aiming at the cooperative movement improvement, as the best form of association for mutual interest.

Except these measures, two more directed to rural development support were anticipated in the beginning of the year 2009:

- Support to diversification of activities in rural areas (Regulation on incentives utilization for support to village ..., 2009) for: physical persons for investments in objects, which are in function of rural tourism development and raw material purchase and necessary equipment for preserving old handicrafts; entrepreneurs, agricultural cooperatives, churches, or monasteries for preserving old handicrafts and citizens' associations, established to realize activities for preserving old handicrafts, skills in making traditional manufactures and dealing with rural tourism, than promotion of rural tourism. These assets can be used along with condition that user also provides a part of assets for investments realization. The exception is the citizens' association, whose projects are financed with 100% of incentives. The incentive

assets are non-repayable and do 50% from investments for other areas users and 60% of investments value for users from marginal areas.

- Continuance in supporting rural development network strengthening (Regulation on allocation and utilization of incentive ..., 2009), which task is to set up necessary communication and coordination between authorized ministry for agriculture and local active participants on terrain, through numerous activities, starting from educational role, informing, improving the cooperation between numerous subjects in local areas. The assets were allocated according to open contest.

Preservation and sustainable utilization of domestic animals' genetic resources (Regulation on determination of Program on allocation ..., 2009). In order to preserve and sustainable use of jeopardized species – autochthonous sorts of domestic animals, approves specific amount of incentive assets to their breeders. Here is a matter of female and male breeding animal for: Podolian neat, Busha, domestic bull, domestic mountainous horse, Nonius, Balkan donkey, Mangulitsa, Moravka, Resavka, local sorts of Pramenka (Piro, Krivovir, Bardoka, Lipa, Vlaško-Vitorogi, Karokačan) and Čokan Tzigaja, Balkan goat and autochthonous poultry population (Kaporka, Gološijanka and Svrljig hen). The amount depends on animal species and repays per a head.

Support to organic production. It realizes by support to commercial agricultural production and seedy-planting organic production.

- Physical persons, who fulfill legitimate conditions (Regulation on allocation and utilization of supporting assets to organic ..., 2009), stimulate with 20000 RSD per hectare of involved crop production in organic production and with 30 000 RSD per ha for fruit, viticulture and vegetable production, but just up to 600 000 RSD per a user. For organic production in livestock breeding, the incentive assets amount 15 000 RSD per head of neat cattle, 5 000 RSD per head of small cattle, 500 RSD per units of poultry and 1500 RSD per bee hive, and the most 800 000 RSD per user.
- Legal entities and physical persons and entrepreneurs, who deal with production of seed, seedlings and plant material, under legitimate conditions, by methods of organic production (Regulation on conditions and method of incentive assets usage for support to seed ..., 2009), have right to incentives in amount of 40 000 RSD for crop and 50000 RSD per ha for fruit, viticulture and vegetable production, but no more than 500 000 RSD per a user.

The work of agricultural expert services (Regulation on conditions and way ..., 2009). Financially supported fieldwork of consultants, organized as agricultural expert services or economic organization, which must fulfill legitimate conditions. The assets allocate on contest basis, while coordinating and controlling role in those services' work and projects realization has the Institute for Science Application in Agriculture, from Belgrade, which also uses a part of the assets for this purpose.

Protection, organization and utilization of agricultural land (Regulation on determination of Program of work ..., 2009), realizes by annual programs in regard to Law on agricultural land. The businesses and activities which should be done during a year in this field set thoroughly by annual programs. There are businesses which last for several years, why the assets for their realization set. In 2009 foresees new investments in amount of 1,4 milliard RSD, where budget assets are 562 million RSD and for completing the activities from previous years, in amount of 139 million RSD (38 million RSD from budget sources). The activities which fall under the program: consolidation, soil drainage, voluntarily grouping of land parcels and properties, irrigation, transformation of non-arable into arable agricultural land, improving quality of arable agricultural land, melioration of meadows and pastures, biological reclamation of agricultural land, anti-erosion measures and work on agricultural land, fertility control of arable agricultural land, liming the acid arable land, leasing the arable agricultural land and research work. The participation of incentive assets for realization of some works depends on kind of work and region they relate to, because marginal areas have more favourable treatment. That means that user provides proportional part of own assets for realization of concrete project. The budget sources finance 100% of liming the acid arable agricultural land, fertility control of such soil, leasing the land, as well as execution of research projects of great importance for the Republic of Serbia.

Conclusion

Serbian agriculture encounters great difficulties. In last twenty years has been invested negligibly in it, while at the same time, it had endured the biggest burden of crisis in which Serbia have had been in, as well as the burden of transition process. Nowadays, it is additionally burdened by economic crisis, owing to which the economy is in recession. However, this is the only activity from the real sector, which realizes positive balance in foreign trade exchange of Serbia. The state undertakes possible activities and provides material support to producers, in a way to prepare this sector for accessing Serbia to EU and WTO. The regulatory rules adjust to the one in EU, and, where possible, set up the structure of incentives adjusted to EU practice. Unfortunately, the incentive assets reduce, while economic power of producers weakens. However, there should expect that modern legal regulatory rules modern developmental documents, adequate agrarian policy, coming out from recession, utilization of IPA assets will increase competitiveness level of Serbian agriculture and make it more prepared for more and more tough competition.

Acknowledgement

The paper work is a part of the project research 149007 of the Ministry of Science and Technological Development of the Republic of Serbia „Multifunctional agriculture and rural development in function of accession of Republic of Serbia in European Union“.

References

- Annex of Regulation on Agricultural Husbandries Registry. (2009). *Official Gazette RS*, No. 36.
- Cvijanović, D., Katić Branko, Kljajić Nataša. (2009). "Rural development in Serbia – regional dissimilarities and problems". *The economic and social conditions of the development of the Polish food economy following Poland's accession to the European Union - Multi-Annual Programme 2005-2009*, No 128.1, Warsaw, pp. 107 – 120.
- Katić, B. (2006). „Agrar i država”, *Ekonomika* br. 1-2, Niš.
- Katić, Branko, Popović, Vesna. (2009). „Agrar u ekonomskoj politici Srbije”, *Ekonomika poljoprivrede*, br. 1, Beograd.
- Law on Agriculture and Rural Development. (2009). *Official Gazette of RS*, No. 41.
- Law on Agricultural Land. (2006). *Official Gazette of RS*, No. 62 and No. 65.
- Law on Agricultural Land. (2009). *Official Gazette of RS*, No. 41.
- Law on Food Safety. (2009). *Official Gazette of RS*, No. 41.
- Law on Genetically Modified Organisms. (2009). *Official Gazette of RS*, No. 41.
- Law on Public Warehouses for Agricultural Products. (2009). *Official Gazette of RS*, No. 41.
- Memorandum o budžetu i ekonomskoj i fiskalnoj politici za 2009 godinu, sa projekcijama za 2010 i 2011 godinu (2008). *Službeni glasnik RS*, broj 113
- Memorandum o budžetu i ekonomskoj i fiskalnoj politici za 2010. godinu, sa projekcijama za 2011 i 2012 godinu (2009). *Službeni glasnik RS*, broj 112
- Popović, V., Katić, B. & Živanović Miljković, J. (2009). Rural development network and territorial competitiveness. Paper prepared for presentation at the 113th EAAE Seminar “The role of knowledge, innovation and human capital in multifunctional agriculture and territorial rural development”, Belgrade, Republic of Serbia December 9-11, 2009. Available on <http://ageconsearch.umn.edu/bitstream/57641/2/Popovic%20Vesna%20cover.pdf>
- Regulation on conditions and method of using the assets and regression of production materials for crop and vegetable production in 2009. (2009). *Official Gazette RS*, No. 12, No. 17, No. 36.
- Regulation on conditions and methods of assets use for regressing the mineral fertilizers for autumn sowing in 2009. (2009). *Official Gazette RS*, No. 50.
- Regulation on conditions and method of stimulating production and tractor sale in the Republic of Serbia (2009). *Official Gazette RS*”, No. 28.
- Regulation on premium for milk in 2009. (2009). *Official Gazette RS*, No. 21, No. 28 and No. 50
- Regulation on use of incentives to uncommercial agricultural husbandries in 2009. (2009). *Official Gazette RS*, No. 16. The Regulation was cancelled *Official Gazette RS*, No. 28.

- Regulation on using the incentives for genetic improvement of livestock breeding in 2009. (2009). *Official Gazette RS*, No. 14 and No. 53.
- Regulation on Program of allocation and use of assets for development and improvement of livestock breeding for 2009. (2009). *Official Gazette RS*, No. 16
- Regulation on conditions and method of using assets for regressing the insurance of animals, crops and fruits in 2009. (2009). *Official Gazette RS*, No. 14
- Regulation on incentives use for raising productive and master plantations of fruit, grape, vine and hop for 2009. (2009). *Official Gazette RS*, No. 17 and No. 37
- Regulation on usage of subsidies to agricultural and food products' producers for 2009. (2009). *Official Gazette RS*, No. 16 and No. 21
- Regulation on determination of Program of measures and crediting the agricultural production in 2009. (2009). *Official Gazette RS*, No. 18, No. 21, No. 43 and No. 49
- Regulation on assets usage for support to village development through support to investments in agriculture in 2009. (2009). *Official Gazette RS*, No. 14.
- Regulation on assets usage for support to village development through competitiveness increase of agriculture for 2009. (2009). *Official Gazette RS*, No. 14, No. 24 and No. 36.
- Regulation on allocation and usage of incentive assets for support to village development through strengthening the agricultural capacities' human resources in 2009. (2009). *Official Gazette RS*, No. 16.
- Regulation on incentives utilization for support to village development through investing in expanding and improvement of rural population's economic activity for 2009. (2009). *Official Gazette RS*, 17/2009), which was defuncted *Official Gazette RS*, No. 49.
- Regulation on allocation and utilization of incentive assets for organizing and strengthening the net capacity for rural development in 2009. (2009). *Official Gazette RS*, No. 18, which was also defuncted *Official Gazette RS*, No. 28.
- Regulation on determination of Program on allocation and utilization of incentive assets for preservation and sustainable utilization of domestic animals' genetic resources for 2009. (2009). *Official Gazette RS*, No. 16.
- Regulation on allocation and utilization of supporting assets to organic production development for 2009. (2009). *Official Gazette RS*, No. 21.
- Regulation on conditions and method of incentive assets usage for support to seed, seedlings and planting material support by organic production methods in 2009. (2009). *Official Gazette RS*, No. 21.
- Statistical Office of the Republic of Serbia (2009). Foreign trade goods turnover of RS – December 2008. *Notice No. 190*, 14.07.2009.