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Diagnosis of the small farms sector in Serbia

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Agriculture in Serbia

- one of the pillars of the economic development,
- significant for the national economy:
 - economic,
 - social,
 - ecological value.



Great potential for:

- the development of agriculture-

-conventional,

-organic;

- processing and

- trade of food.

The problem is

to turn its comparative advantages
into competitive ones.

A family farm is

the basic economic-production unit in a village and,

it has encountered a lot of obstacles in the past, such as

social and

economic problems.

Definition of small farms in the Republic of Serbia

- significant differences between the three subgroups of all farms:
 - small - up to 5 ha,
 - medium - 5-20 ha,
 - large - over 20 ha.

- small farms (up to 5 ha) account for 77.4% of the total number of all farms, and have only 25.0% out of a total of 3.437.425 ha of utilized agricultural area,
- large farms (over 20 ha) account for only 3.1% of the total number of farms, and have 44.2% of the total utilized agricultural area of all agricultural holdings,
- medium-sized farms (5-20 ha) account for 19.5% of the total number of farms, and have 30.8% of the total utilized agricultural land.

- the average economic size of agricultural holdings in the Republic of Serbia-€5.939 and
 - in the sector of family farms - €4.990;
 - in the sector of legal entities and entrepreneurs - €204.755.
- family farms
 - up to 5 ha are considered as small farms,
 - with the average economic size of agricultural holdings (standard output) amounting to €4.990.

The role and importance of small farms in the Republic of Serbia

- Small agricultural producers in Serbia play an important role in
agricultural production,
self-employment and
creating a general environment in
rural areas.

These are the most important features of small farms in Serbia:

Importance of the farms:

the number of great importance
in the local commodity market,
from the aspect of food production,
preserving resources
and rural environment.

Developmental limitations

highly positioned

the lack of their own capital,
the lack of favourable loans,
the lack of markets, and
low prices of agricultural products.

The absence of vertical integration of farmers

in the production and market chain,
long-term contracts,
ownership links with food industry,
farmers' co-ops.

trade.

Extensive agriculture

the farms are traditional,
extensive,
low productive,
highly oscillatory, and
dependent on climatic factors.

Low marketability

the small size of agricultural land per farm.

Low specialization

the unsecured business environment,
small property,
the absence of favourable loans,
and the need to reduce the risk of
production and profits.

Rural poverty and underdeveloped rural environment

low economic value of the farms.

Differences between small and large agricultural holdings

Family farms

prevail in the total number of farms (99.4%), the total utilized agricultural area (82.2%), but with a very small area (4.55 ha).

Agricultural holdings of legal entities and entrepreneurs account for just 0.5 % in terms of their number, utilized agricultural area (17.8 %) and average land area (204.12 ha).

Incentive Policy of Agricultural Production in the Republic of Serbia, 2000-2019

- the political changes in the country, during the 2000s,
- significant efforts to restore the production of meat, sugar, fruit and vegetables,
- incentive measures focused on strengthening production, food sector and the growth of export.

- the process of transferring competencies from the federal to the national level was fully completed in 2004,
- *the Agricultural Development Strategy of Serbia* was adopted,
the aim to contribute to
the growth of competitiveness of
family commercial agricultural holdings.

- the strategy did not have clearly defined budgetary frameworks,
 - until 2008 the objectives were only partly supported with the appropriate measures and funds.
- in order to make clear directions
 - the Ministry of Agriculture urged the development of a new strategy,
 - which resulted in the adoption of the *Strategy of Agriculture and Rural Development of the Republic of Serbia for the period 2014-2024.*

- the Strategy highlights four key principles:

1) *Sustainable agriculture,*

2) *Polycentric development,*

3) *Modernization of bodies and organizations,*

4) *Stability and consistency of the agricultural budget.*

Analysis of the national incentive measures

- the agrarian budget
 - often conditioned by the economic situation and by distribution of the funds to all budget users.

Analysis of incentive measures received from foreign funds

- has been intensified since 2001
in the first half of the analysed period
in the form of providing technical assistance and employee training,
- in the period 2007-2012 the agricultural sector, with approximately 91 million EUR of the realized development assistance.

- The largest donor in this sector was the EU with a total of 58 million EUR realized in the period 2007-2013.
- The IPARD II EU Program is one of the most significant, being an instrument for pre-accession assistance in the field of rural development for 2014-2020 program period.
- A special status of small farms was not defined.

The right to use the budget support

According to the current *Law on Incentives in Agriculture and Rural Development*, the following types of incentives are offered:

- 1) direct payments,
- 2) incentives for rural development measures,
- 3) special incentives,
- 4) loans.

- The proposal of the support measures outlined in the Strategy for 2014-2024 does not specify the special status of any category of agricultural holdings determined by their type or size; therefore, it is impossible to accurately assess the position of small farms in the strategic plan of the support policy for agricultural production.

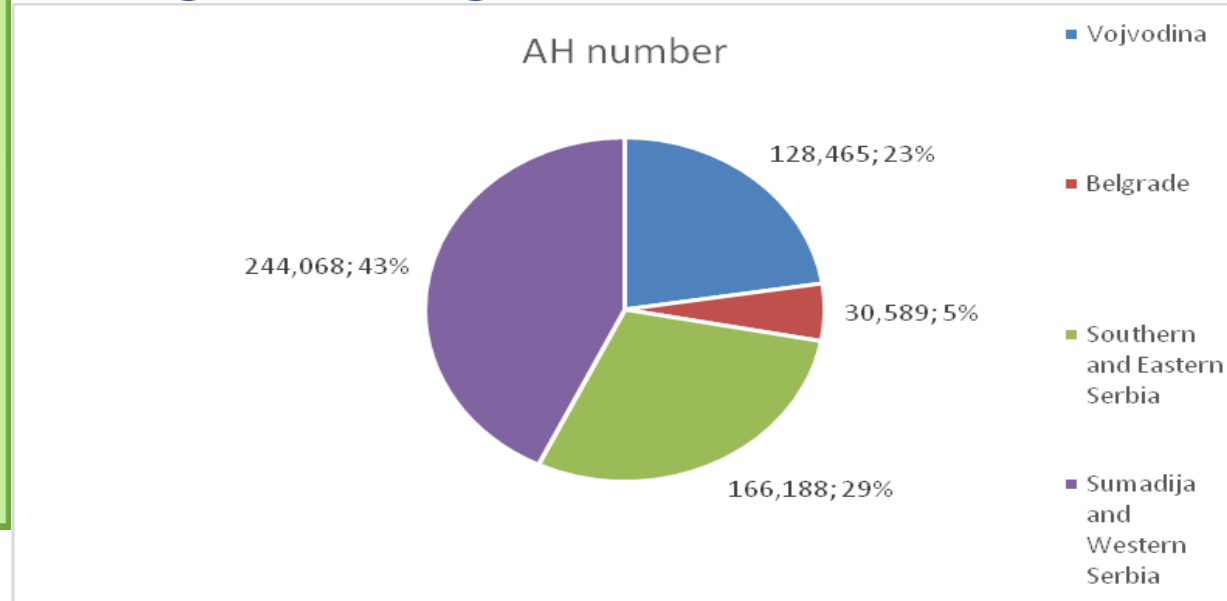
Statistical review of the state of agricultural holdings

- the total number of agricultural holdings (AH) 569.310.
- compared to 2012, the number of AH decreased by 9.9%.

Serbia



- the biggest number of AH is in the region of Sumadija and Western Serbia (244.068), and the smallest number is in the Belgrade region 30.589.



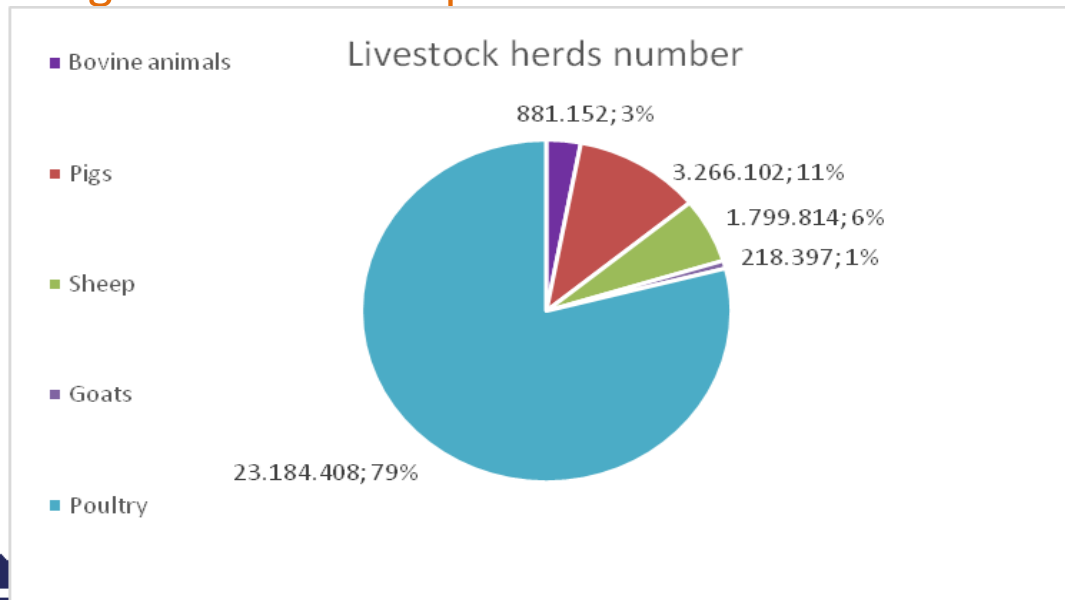
- As for livestock production, poultry is mostly raised in Serbia and the least goats.
- In the regions of Serbia, the trend is the same.

Poultry is mostly grown, then pigs, sheep, cattle and goats the least.

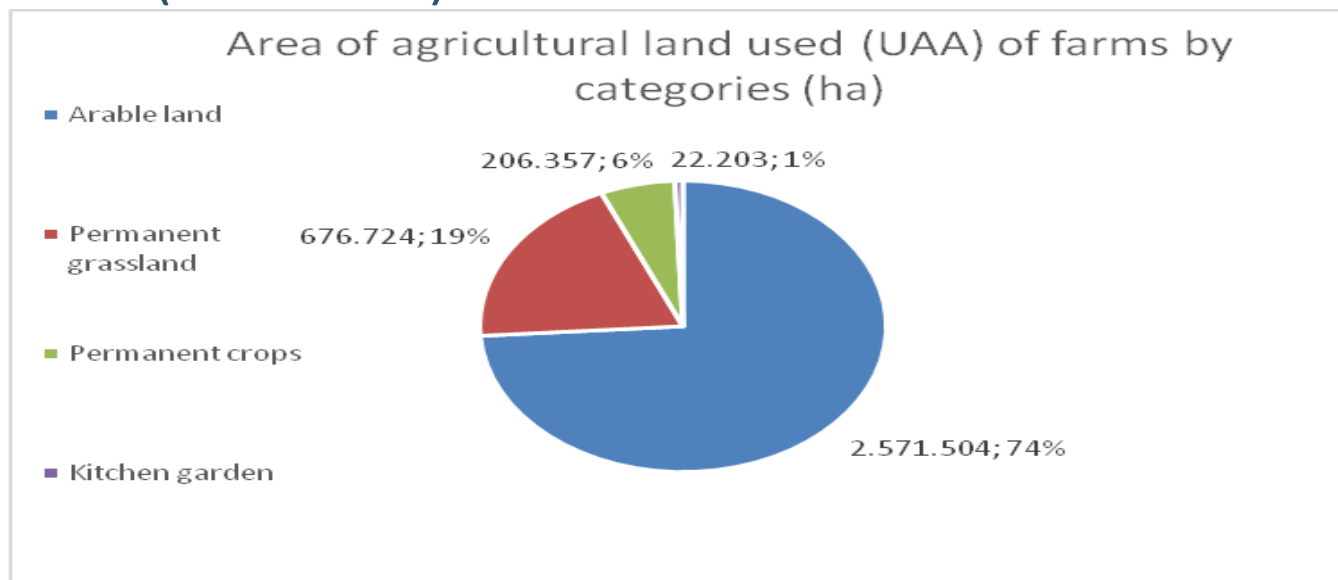
The total number of cattle, pigs, goats and poultry decreased by 3.0%, 4.1%, 5.8% and 13.2%, respectively;

whereas the number of sheep rose by 3.7% compared to their number in 2012.

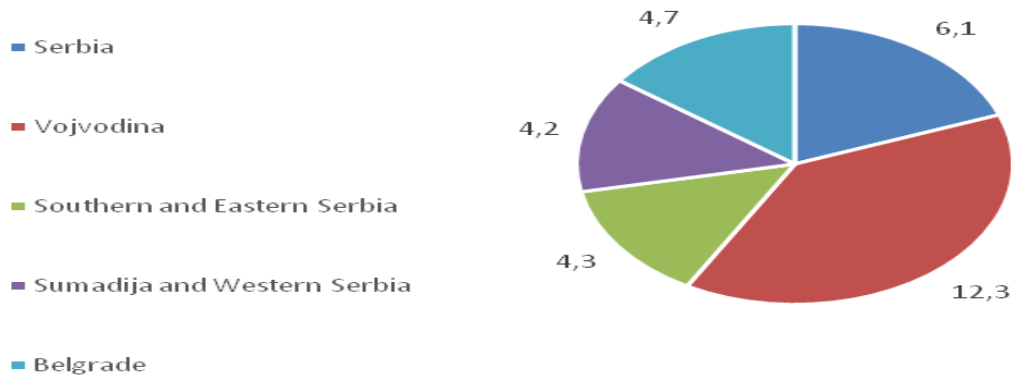
8 out of 10 farms are engaged in cattle breeding and the ratio was unchanged in 2018 compared to 2012.



- The total area of utilised agricultural area in 2018 was 3.476.788 ha and was increased by 1.1% compared to 2012.
- The highest growth was in the region of Southern and Eastern Serbia.
- In terms of category, the largest area includes arable land (2.571.504 ha) and the smallest areas belong to kitchen garden (22.203 ha).



Average area of agricultural land used of farms by regions (ha)



- 4.5 ha is an average size of arable land and gardens per farm, which was an increase of 13.5% compared to 2012.

217.682 farms used up to 2 ha of agricultural land, which was the reduction of 27% compared to the number of such farms in 2012.

- The average age of a holder of a farm is 61 years and compared to 2012 the average age was increased by 2 years. Every 14th owner of a farm is younger than 40.
- 81% of farm holders are men and 19% are women.
- The total number of tractors in 2018 was 451.985, which was an increase of 10% compared to 2012.
8 out of 10 farms use their own tractors.
83% of tractors are older than 20 years.

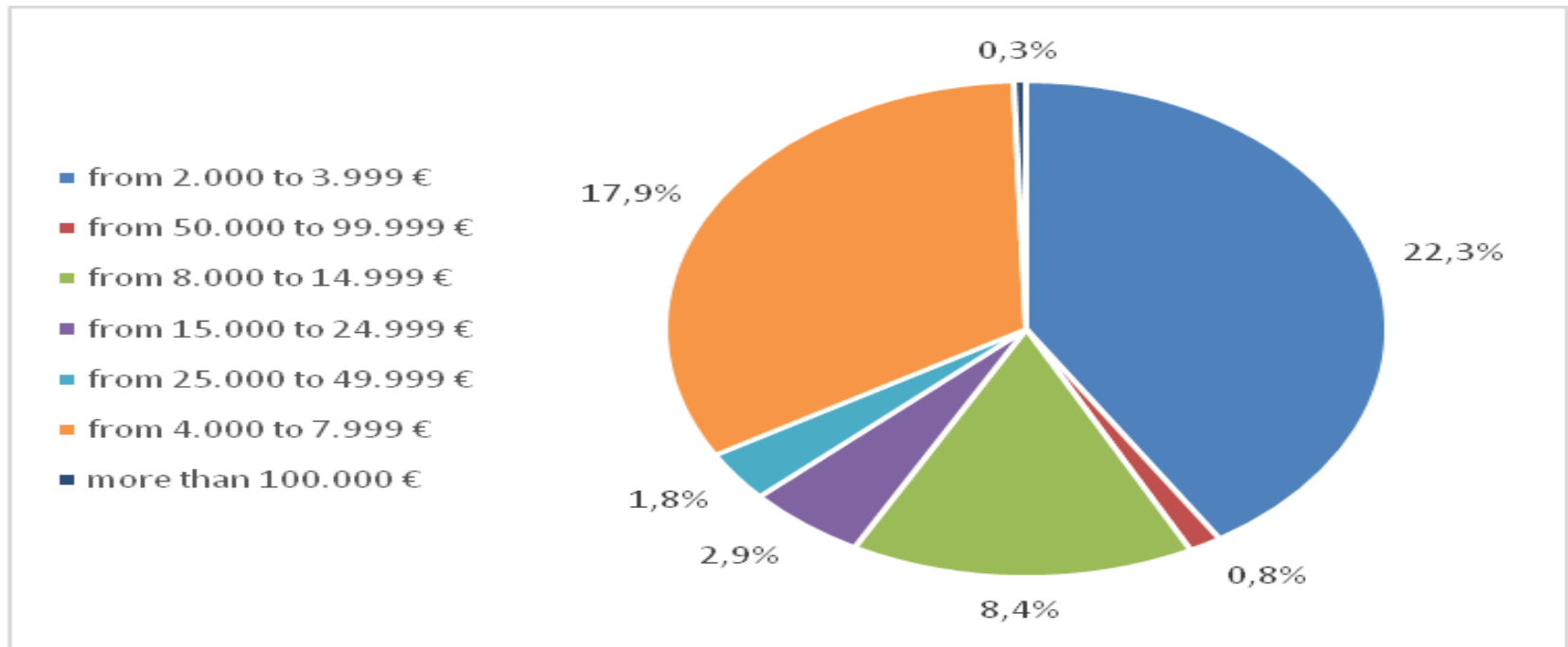
Crop production, tonnes thousand/yield per ha, from 2012 to 2018.

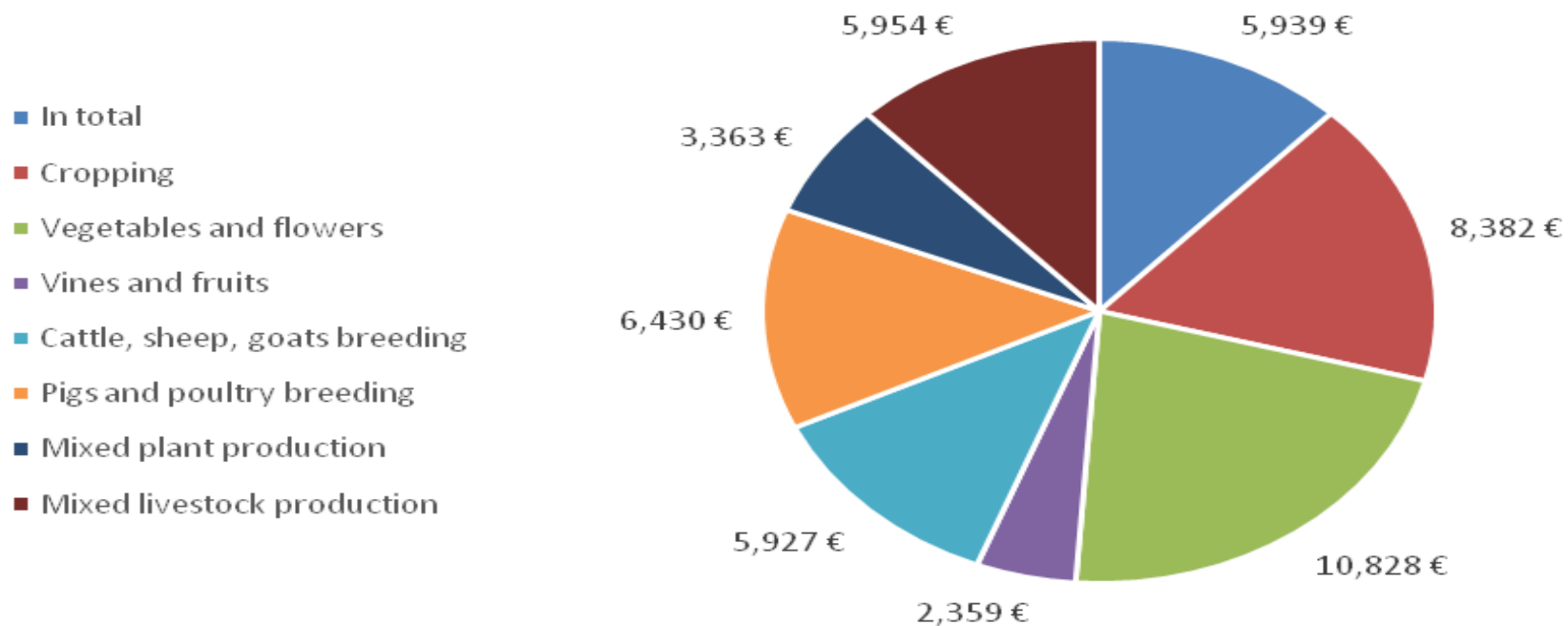
Crop	2012	2013	2014	2015	2016	2017	2018
	Tonnes thousand/Yield per ha, t						
Wheat	2399/4.0	2690/4.3	2387/3.9	2428/4.1	2885/4.8	2276/4.1	2942/4.6
Rye	11/2.4	13/2.8	12/2.1	13/2.3	14/2.9	11/2.4	14/2.8
Maize	3532/3.6	5864/6.0	7952/7.5	5454/5.4	7377/7.3	4018/4.0	6965/7.7
Sunflower	366/2.0	513/2.7	509/2.9	437/2.6	621/3.1	541/2.5	734/3.1
Tobacco	7/1.4	8/1.6	9/1.9	9/1.8	8/1.5	7/1.4	7/1.2
Sugar beet	2483/35.9	3180/47.8	3507/54.7	2183/51.8	2684/54.5	2513/46.7	2325/48.3
Potatoes	578/11.1	767/15.1	592/11.4	639/15.3	714/17.8	589/15.3	488/17.3
Plums	297/3.8	569/7.3	401/5.2	355/4.8	471/6.4	331/4.6	430/6.0
Apples	244/10.3	458/19.3	336/14.2	432/17.5	400/16.1	379/15.1	460/17.8
Grapes	150/7.0	200/9.4	122/5.8	171/8.0	146/6.9	166/7.8	150/7.3

According to the statistical data from 2012 to 2018, the most products (t) are corn, wheat and sugar beets, and that the highest yield (t/ha) is from sugar beets. Additionally, the yield (t/ha) and the production (t) of corn varies the most.

- In the Belgrade region ASO (6.038 euros) was at the level of the ASO of the Republic of Serbia.
- The highest ASO (12.032 euros) was recorded in Vojvodina, which was twice as high as the Serbian ASO, and 3.5 times higher than the ASO of the poorest region of Southern and Eastern Serbia (3.414 euros).
- The region of Sumadija and Western Serbia was economically stronger compared to the poorest region, but its ASO was significantly below the ASO of Serbia.

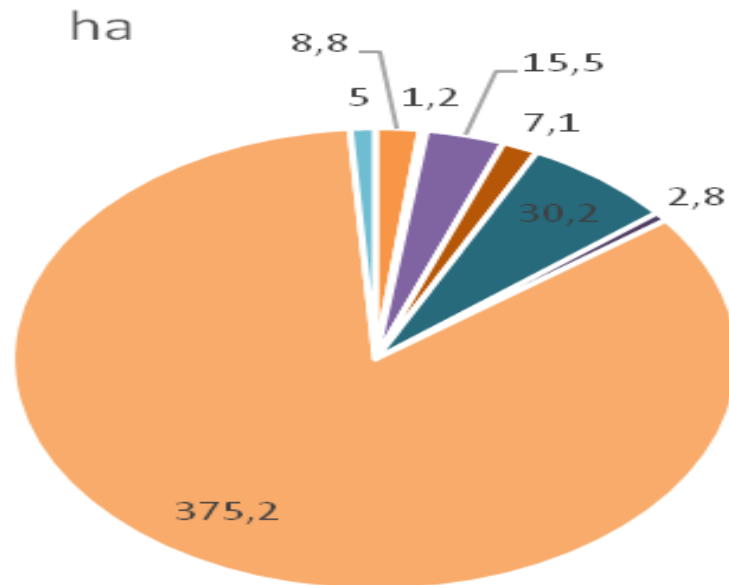
- Out of the total number of households in Serbia, the highest percentage of 45.7% has ASO less than €2.000,
- while the smallest number of households 0.3% has ASO higher than €100.000.





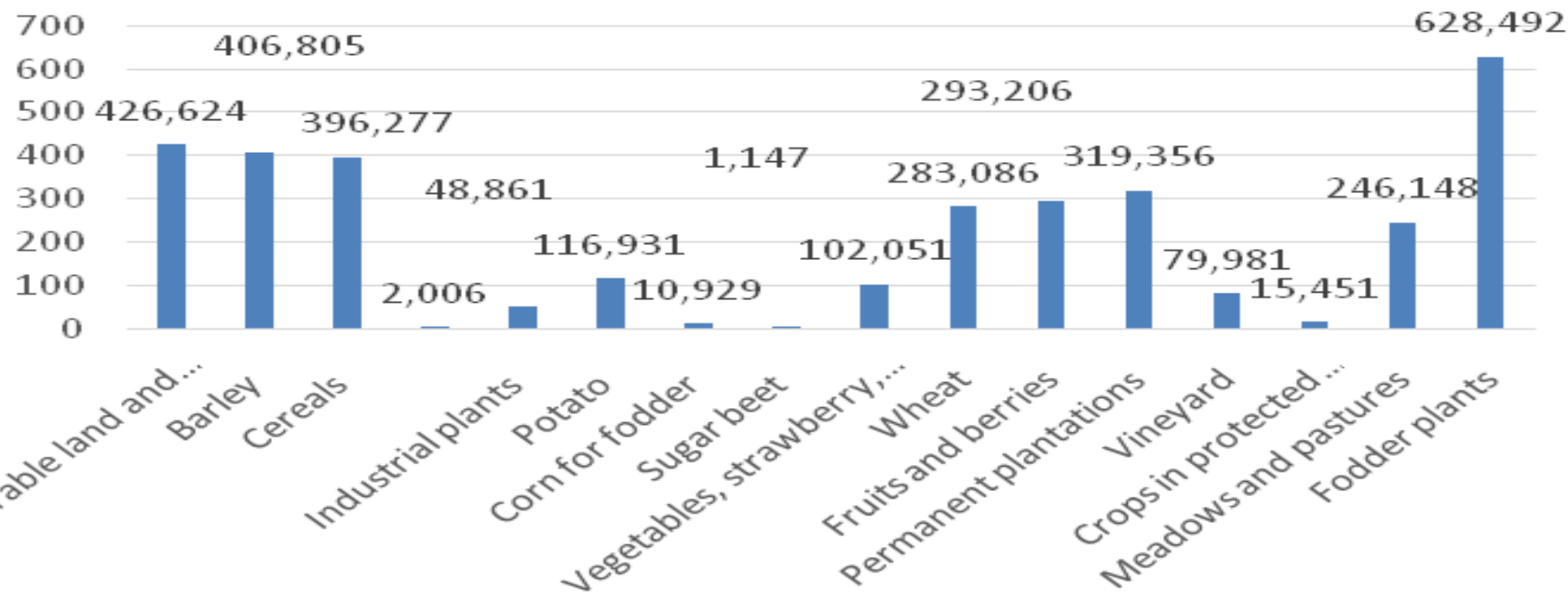
The largest ASO per farms (10.828 €) have the holdings that produce vegetables and flowers, while the lowest value of ASO (2.359 €) have the farms for the production of vines and fruit.

- from 8.000 to 14.999 €
- from 0 to 1.999 €
- from 15.000 to 24.999 €
- from 50.000 to 99.999 €
- from 25.000 to 49.999 €
- from 2.000 to 3.999 €
- more than 100.000 €
- from 4.000 to 7.999 €



With the increase of ASO agricultural holdings, the utilized agricultural area also significantly increased.

Number of family farms under different crops



By analysing the type of crops grown on family farms, majority of farms produce fodder plants; whereas much less produce sugar beet.

Conclusion

- in terms of utilized agricultural area, prevailing households are the ones with small area up to 5 ha, with an average economic size (standard output) of 4,999 euros per holding.
- although their number is very big, their economic significance is not at a satisfactory level and their possibilities are not fully realised.

- the agriculture in these farms is characterized by low marketability and lack of specialization of production due to limited human resources, physical resources, social capital.
- the policy of support does not define clear measures for helping small farms.
- the policy of supporting small farms at this time is conditioned by the official harmonization of their identification as well as the recognition of a special status that these farms can have in the distribution of incentives.

- the big challenge in this is the current tendency of agricultural land fragmentation which could endanger the sustainability of agricultural production.
- to improve their economic performance and greater competitiveness of their products, it is necessary that farmers of small farms in Serbia engage actively in overcoming internal limitations, with the necessary implementation of numerous incentive measures of support by the state.