

### Evolution, state and perspectives of Serbian agriculture within EU integrations

Rade Popovic, and Stanislav Zekic

Department of agriculture economics and agribusiness, the Faculty of Economics Subotica, University of Novi Sad, Serbia. Corresponding author: R. Popovic, popovicr@ef.uns.ac.rs

**Abstract.** In this paper it is considered some elements of state in Serbian agriculture which evolved through previous not favored occurrences. Transition of agriculture in Serbia was one decade lagged comparing with other East European countries. Importance of agriculture in economy is declining, but it is still on of the main sources of export earnings. On the way toward EU integration many challenges had to be solved by agricultural policy. Some of the most important are harmonization with EU regulative, building more competitive farm and food industry structure and further institutional restructuring.

**Key Words:** agriculture, production, farms, Serbia, EU integrations.

**Резиме.** У раду су разматрани неки елементи стања пољопривреде у Србији, кроз њихову еволуцију током претходног периода. Транзиција пољопривреде Србије је каснила једну деценију у односу на већину земаља источне Европе. Значај пољопривреде у економији Србије опада, иако је још увек један од главних извора прихода од извоза. На путу ка ЕУ интеграцијама, аграрна политика мора савладати велики број изазова. Неки од најважнијих су: усклађивање са ЕУ регулативама, изградња конкурентније структуре пољопривредних газдинстава и прехранбене индустрије, као и наставак даљих институционалних реструктурирања.

**Кључне речи:** Пољопривреда, производња, пољопривредна газдинства, Србија, ЕУ интеграције.

**Introduction.** Agriculture is one of a major component of the economy in Republic of Serbia. Beside high production potential, non favorable conditions in last two decades (war occurrence, sanctions and postponed transition) resulted in level of agriculture production which, although increasing, still lagging from reached production level during eighties. Farm structure is consisted from small family farms, which are dominate in number and recourses, newborn commercial middle sized family farms and big non-family farms. Main characteristics of resources structure are: high quality of arable land, abundant labor and favorable continental climate. On quality side resources are characterized with: low prices of labor, relatively lower prices of arable land comparing with EU, unconsolidated land plots, etc. Process of privatization is almost finished in agriculture and related industries. Although it didn't was so important in farm sector, since only 15% of land was in government hands, for pre-farms and post-farms sector it was highly important.

Clear intention of Republic Serbia to eventually become a part of EU, imposes a numerous challenges and tasks in transition process. Some of them include: legal harmonization to achieve EU standards, further institutional reforms, further farm structure changes to increase competitiveness of agriculture production etc.

**Material and Method.** Analysis of state and perspectives of Serbian agriculture is done in light of macro and micro aspects. Applied approach to measure importance of agriculture in economy is consisted from three elements (Stipetic 1987). First one is share of farmers in total active population, as a most basic indicator of importance agriculture in economy. Second indicator is share of agriculture GDP in total GDP, and third indicator is share of agriculture trade balance in total trade balance.

Number and structure of farms are analyzed according data from previous censuses. Farms production structure is observed as crops and livestock production with focus on main products in recent years. Agricultural policy is explained in period since 2000 to nowadays, but some trends from earlier period are taken in account.

All statistical data used in paper are for two parts of Serbia: Province of Vojvodina (lowland production region) and central Serbia (hilly and mountain production region). Data for Kosovo and Metohia are not included because Statistical office of Republic of Serbia (RZS) stops to report data since 1999 for this region.

Within analyzes of production performances in Serbian agriculture are discussed the dynamics of agricultural production as well as partial productivity in agriculture – labor and land productivity. The analysis of production performance has point of access to the resource structure of agriculture, which dominantly affect to level of partial productivity. Throughout the analysis was performed comparing the EU-27, to identify the position of Serbian agriculture in Europe.

**Importance of Agriculture in Serbian Economy.** National importance of agriculture is measured by shares in employment, GDP and in net external trade. Share of farmers in total active population (see Figure 1) is decreasing all time since World War II. The most intensive period of population migration to urban areas was during 70-es, when almost one fifth of total population was moved from rural areas. Farmers share in total active population reached 10% in 2008. There is some obvious illogic in data presented in Figure 1. Economically active agriculture population has higher share than total agricultural population share. Explanation, for such trend lies in statistical methodology. Housewives on farms were counted as active persons, while housewives without employment in urban areas weren't taken in account.

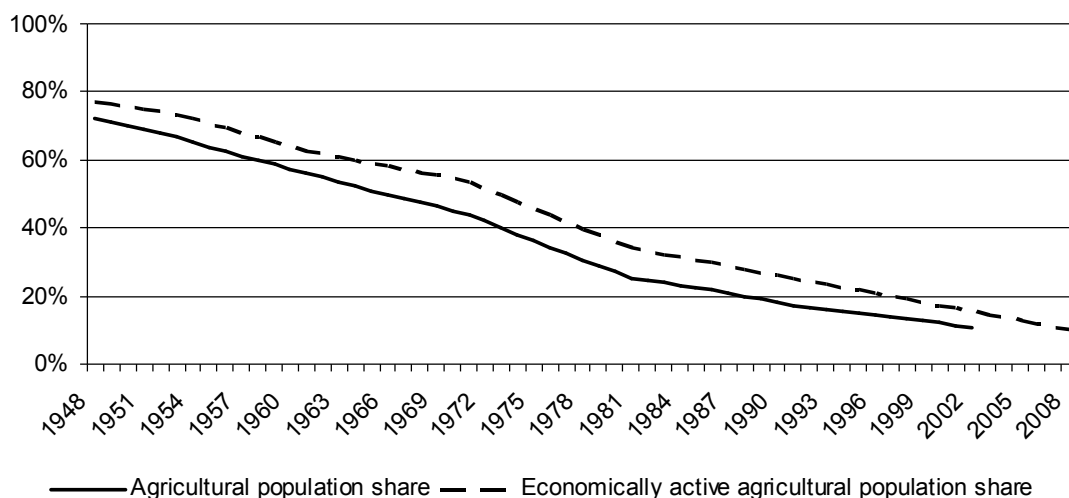


Figure 1. Total and economically active agricultural population share (source: RZS 2010)

Agriculture contribution to the nation's gross domestic products is decreasing over time, as well as active population migrates from agriculture to the other parts of economy. An irregularity from this trend happens during first half of 90-es where, because of sanctions, economical and political crisis other parts of economy decreased production, what resulted with higher relative significance of agriculture. In period 2000-2009 agriculture declines share in GDP (Figure 2) reaching the lowest point, about 10% in last three years of the period. Comparing with EU-27 where agriculture GDP contribution is 1.6%, agriculture is still important in Serbian economy. Agriculture shares in GDP in 2000, 2003 and 2007 were lower from trend mainly because of severe drought effect on production. Small increase of agriculture GDP contribution in 2009 was result of decreased production in other parts of Serbian economy, because of economic crisis.

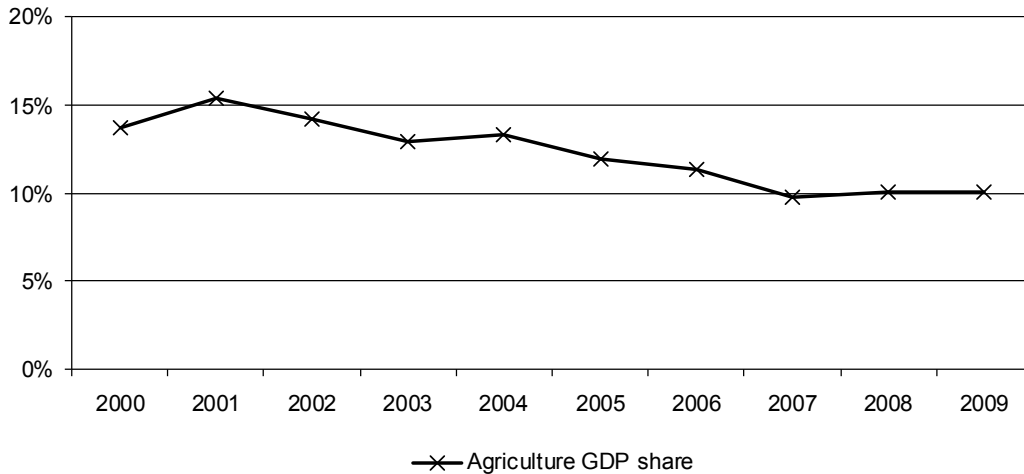


Figure 2. Agriculture GDP share, Serbia, in period 2000-2009 (source: RZS 2010)

External trade of agricultural and food products was mostly with negative trade balance in period 1977 to 2004. Decrease of average yields in agriculture production and weakening of its formal market during 90-es additionally squeezed export possibilities (Popovic 2001). During first years of transition Serbia gradually reduced its negative net trade balance in agriculture and food products and in 2005 changed trend. In later years positive net trade become stronger (Figure 3).

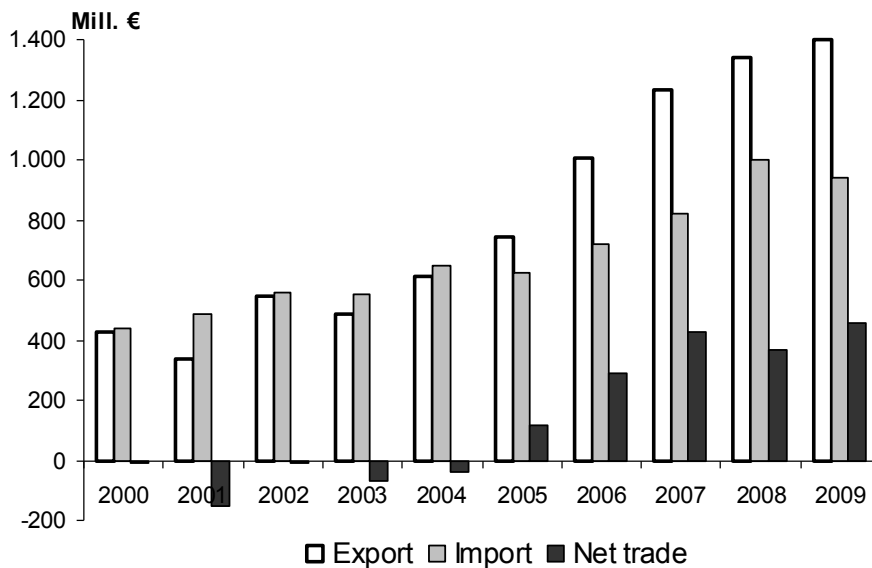


Figure 3. Agriculture external trade, Serbia, in period 2000-2009 (source: RZS 2010)

The most important trade partner for Serbia is EU. Total trade with countries from this region accounts over 50% in export as well as in import, in 2009. Export value of agriculture and food products is in 75% consisted from: cereals (25%), vegetables and fruits (23%), beverages (10%), sugar (8%) and vegetable oil (6%). Main products in same group on import side were: vegetables and fruits (23%) – mostly citrus and bananas, tobacco (8%), fish (8%), coffee (7%), cocoa (7%), which account 53% in total value. Unit prices of exported agriculture and food products was 0.37 €/\$, and on import side 1.07 €/\$. It implies conclusion that Serbia export products with low value added (mostly cereals) and import products with higher value added. Surplus achieved in

external trade with agriculture and food products attained the highest level of 458 million of Euros in 2009.

Agriculture has decreasing trend in contribution to total export and import in period 2000-2009. Although agriculture decreasing shares in total export it is still one of the most important industries in national economy (Table 1). In observed period it is necessary to point up data for last year because other parts of economy significantly decreased shares in export and import. It caused relative increase of agriculture contribution in external trade, while export and import in absolute terms were on similar level as in previous year.

Table 1

Agriculture share in export and import, Serbia, in period 2000-2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Agriculture share in export (in %)	25.4	17.5	24.7	19.9	21.5	19.5	18.8	18.4	17.2	22.6
Agriculture share in import (in %)	12.1	10.2	9.3	8.4	7.5	6.9	6.4	5.6	5.9	7.6

Source: RZS (2010)

These three measures indicate that agriculture is no more dominant industry. But, from agribusiness concept which takes in account: agriculture input industry, agriculture, agricultural services, agricultural processing and marketing industries, wholesale and retail sector (supermarkets and restaurants) things look different. It became obvious that agriculture in direct and indirect way is still the most important single part of Serbian economy.

**Farm Number and Structure.** According data from last Census in 2002 Serbia had 778,891 family farms and 1.059 public owned agriculture companies. Number of farms is decreasing with more progressive rate during last two decades (Figure 4). Conclusion is same for family farms and for non-family farms. Estimates for 2011, based on previous trends and expert knowledge shows that number of farms will probably decrease on 500,000 family farms and 800 agriculture companies. By ownership structure in 2008 family farms owned 81.6% of agriculture land and 86.1% of arable land. Similar structure existed since 1953 when Law for land maximum per farmer was put in use.

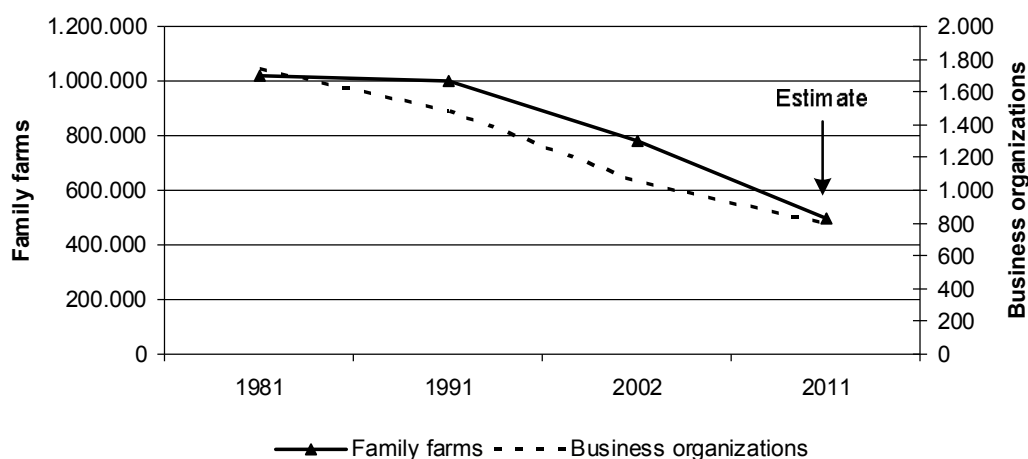


Figure 4. Farms number, Serbia, 1981, 1991, 2002 and estimate for 2011 (sources: RZS, Censuses 1981, 1991, 2002 and author estimate)

Typology of farms in Serbia is not well developed. Family farms still don't have legal obligation to keep financial records, and there is not established any farm data network,

as it is Farm Accounting Data Network (FADN) in EU. Because of that, only available criterion to measure farm size is according used resources. Aware of all imperfection of this criterion, farms structure is analyzed by its size, measured in hectares of used land. Agriculture industry is made up from three types of farms: small family farms, newborn middle sized family farms and large non-family farms. Small family farms are dominant in number and resource share. It's typically size in Province of Vojvodina is in range from 1 to 10 ha of used agricultural land (owned and rented), and in central Serbia in range 1 to 5 ha. Middle sized family farms appeared during 90-es after abolishment of ownership limit per farmer, in 1990. Through transition period those type of farms developed, and they are bigger in Vojvodina, where they usually use few hundreds hectares of agriculture land. Non-family farms are ex public owned farms (*Agro-kombinati*) which are privatized during last decade. Before privatization those farms was the biggest in farm structure. Usually they owned from one to more than 10.000 hectares. Through privatization private companies buying such farms developed even bigger farms. For example three persons, new owners, after privatization now use 80.000 hectares (owned and rented land). Ownership structure after privatization is now more bimodal, than before (Bogdanov 2007).

In period between two censuses 1991 and 2002 total number of farms decreased for 220,000, but structure by size of used land remain more or less similar (Figure 5). Only the biggest group of farms, with 15 and more ha, slightly increased its share from 1.3 to 2%. Practically it means that all decrease in farm number happens in groups of smaller farms. Land from closed farms was sold or rented to other, mostly bigger farms. Average land size of family farms in 2002 was 2.5 ha of used arable land. Beside of that used land per farm is usually divided in 3 to 5 plots.

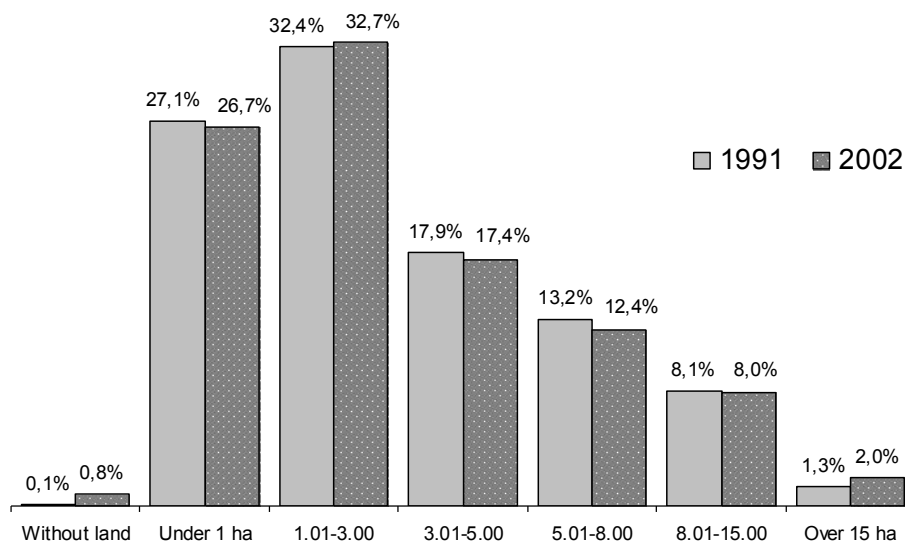


Figure 5. Family farm structure, by used land size, Serbia, 1991 and 2002 (sources: RZS, Censuses 1991, 2002)

Although agriculture production is traditionally based on family farms there are almost no cooperatives. Except few good examples of new generation cooperatives in fruit farm production, even after ten years of transition farmers don't show interest for cooperative action. Many are reasons for that, like: bad experience when government violently pushed farmers in cooperatives few years after World War II, a bad Cooperative Law from 1996, farmers' animosity from word cooperative etc. Now, it is presented lack of farmer's awareness about what really cooperative are, and how they are important for them.

**Structure of Crops and Livestock Production.** Agriculture areas sown with cereals, mostly maize and wheat are dominant in crops structure. They accounted 63% of all

arable land under crops in 2009 (Figure 6). Next, in importance are: fodder crops, then industrial crops and vegetable crops. In same year maize was the most important single products in export. Structure of sown areas was quite stable during transition period, with only one exception that farmers decreased areas sown with wheat and in same amount increased industrial crops areas. Stimulus for that change comes through government subsidies for certain industrial crops and low market prices for wheat in long term period. One of important characteristics in crops production is very low acreage covered with irrigation systems. Consequently, in production years with low amount, or not well distributed precipitation through season, crops yields strongly decrease. For example in years: 2000, 2003 and 2007 drought almost halved crops production.

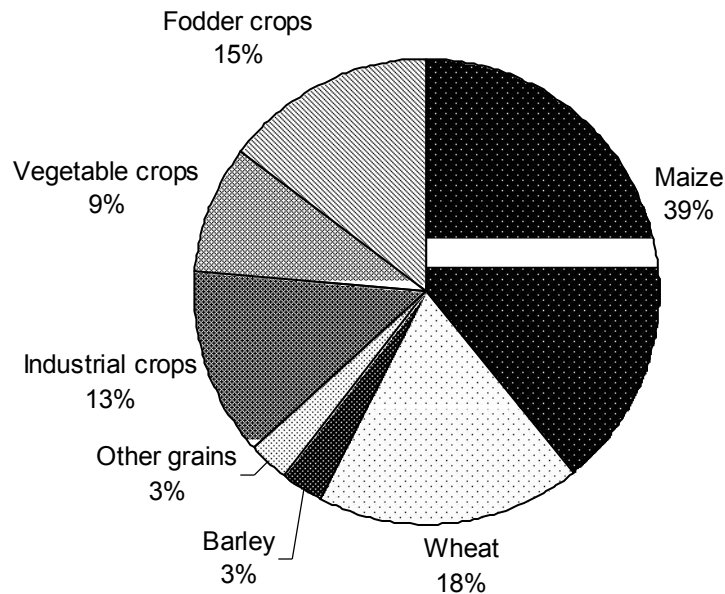


Figure 6. Structure of sown area with crops in Serbia, 2009 (source: RZS 2010)

Orchards and vineyards are covering 240,000 and 60.000 ha respectively, or 4.7 and 1.2% of total agricultural land. Those areas was stable during last decade, but old aged and with obsolete planting systems (low number of trees per ha). Fruit and grape production is developing, thanks to favorable measures of agricultural policy in transition period. Fruit production was also fruitful land for few good examples of cooperative action, where farmers through cooperatives provided bigger contemporary storage capacities and better market opportunities.

Livestock production is traditionally based on family farms with 91.8% share<sup>1</sup>. On regional level, livestock production is situated in Central Serbia which is mostly highland production region with share of 71.3%, and in Province of Vojvodina which is dominantly lowland production region with share of 28.3%. Livestock population has been decreasing in previous three decades (Figure 7). The biggest part of decrease in cattle and poultry population comes from region of central Serbia, but in case of pig population it is from Vojvodina. Sign of recovering shows only poultry population in recent years, after reaching the lowest level in 2004. Stocking rate per 1 ha, in 2008, was 0.31 livestock standard units, while at same time in EU average livestock stocking rate was 0.8.

Value of livestock production participates with 35% in total value of agriculture production. It is below average world level of 40% (FAO 2009). In value structure the most important is cattle production (beef and milk) with 46% share, pig production 36%, poultry (meat and eggs) 13% and sheep 5% (Popovic et al 2010). Livestock production is decreasing through period of last three decades. Exceptions are production of milk which

<sup>1</sup> Calculated in livestock standard units, where one unit is 500 kg of live weight.

is rather stable with small positive net trade balance, and broiler production which is recovering.

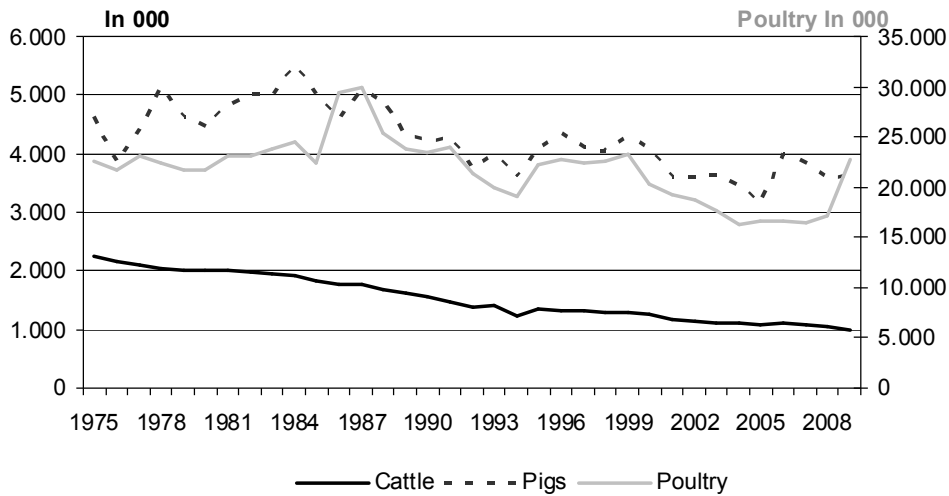


Figure 7. Livestock population in Serbia during the period 1975-2009 (source: RZS 2010)

**Production Performances in Agriculture – Comparative Analyses.** Agricultural production in Serbia had increased during the pre-transitional analyzed period (1961-1989). Such growth is mainly due to non-agricultural investment in agricultural production inputs - machinery and biochemical inputs, while the technical progress had less significance (Zekic 2008; Zekic et al 2009, 2010). However, after 1989, agricultural production had mostly stagnant and downward trend. During the transitional period, agricultural production dropped significantly in the two periods - 1989-1993, and again 2005-2007. On the other hand, in the same period, agricultural production in EU-27 had a steady growth (Figure 8). It is necessary to note that some non-economics factors played the important role in dynamics of Serbian agricultural production performances, especially in the first years of transition process.

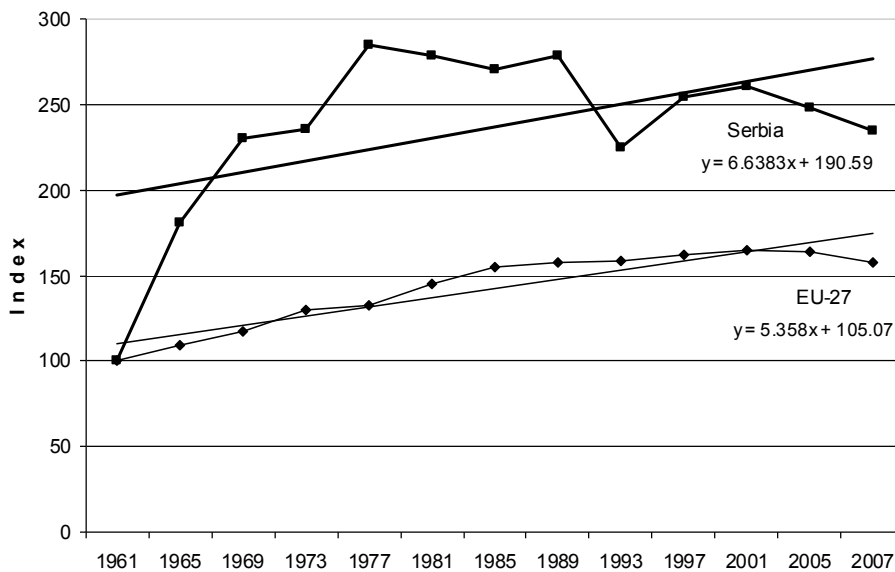


Figure 8: Agricultural production - indexes and trend source (own calculations on the basis of FAOSTAT data).

Resource structure of agriculture - the ratio of basic productive factors - land and labor, in Serbia is far more unfavorable than in the European Union. This means that Serbia has a relatively high number of workers employed in agriculture (7 ha per farmer in Serbia compare with EU average of 16 ha per farmer in 2007), which significantly impacts the sectoral productivity. Also, trend in the structure of agricultural resources is more favorable in EU-27 than Serbia (Figure 9). Namely, partial labor and land productivity are related through the factorial relation between the land and the labor, which can be expressed as  $(P/L) = (P/A) \cdot (A/L)$ , where  $P$ ,  $L$  and  $A$  stand for production, labor and land respectively.

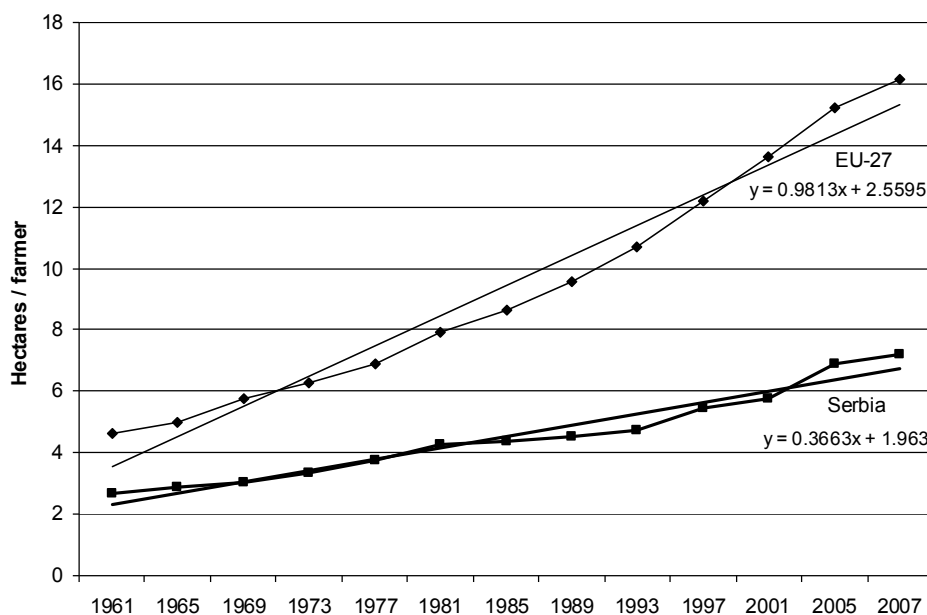


Figure 9. Structure of agricultural resources – level and trend (source: own calculations on the basis of FAOSTAT data)

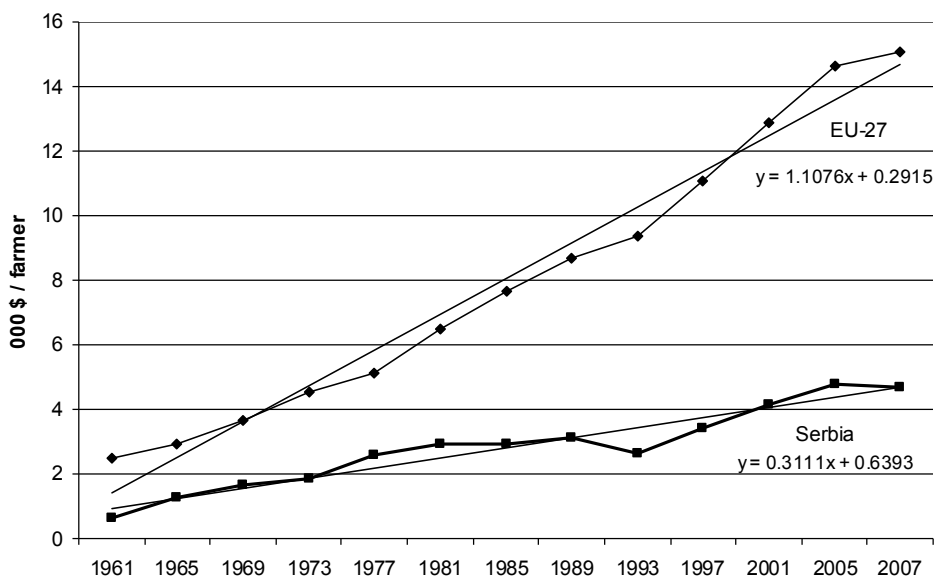


Figure 10. Labor productivity – level and trend (source: own calculations on the basis of FAOSTAT data)



The analysis of labor productivity in agriculture, measured by the volume of agricultural production per active farmer, shows that it significantly falls behind in Serbia compared to the EU countries. Although there has been a slight increase in this type of partial productivity over the past fifteen years in Serbia, the gap with the EU-27 has additionally widened. In other words, the gap concerning labor productivity between EU-27 and Serbia rose from 1:2.80 to 1:3.22 in the transition period (1989-2007). On the graph it is visible that trend of labor productivity in the EU is much higher than of Serbia (Figure 10).

However, in contrast to the labor productivity, the level of land productivity in Serbia has not change much during the period of transition. However, the situation is somewhat more favorable in Serbia, since the gap with the EU-27 is slightly narrower, i.e. 1:1.37 average for the pre-transitional period (1961-1989) and 1:1.40 average for transitional period (1989-2007). That means that average agricultural production in EU-27 per hectare is higher by about 40% of them in Serbia. As is the case of labor productivity, the trend in land productivity is also prominent in the EU compared to Serbia (Figure 11).

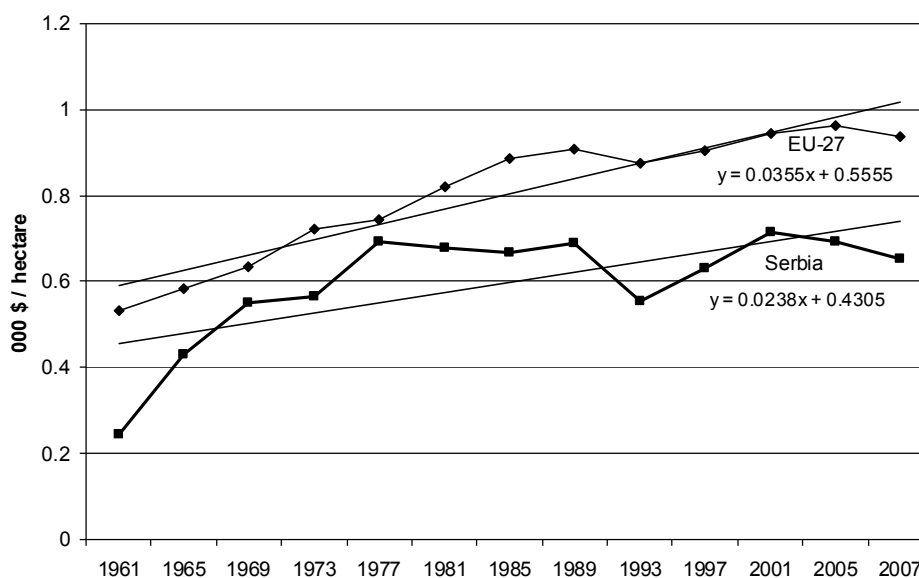


Figure 11. Land productivity – level and trend (source: own calculations on the basis of FAOSTAT data)

**Agricultural Policy in Serbia after World War II.** Agricultural policy in *the Former Yugoslavia* (SFRJ) was different from other socialist countries because it did not enforce mass collectivization of land. In the period after World War II, the first collective cooperatives were created on the model of *kolhoz* in the Former SSSR.<sup>2</sup> The authorities of that period considered that the socialist transformation represented the basis of development for Yugoslav agriculture. This implied the creation of mass goods production based on large public husbandry, the use of science and engineering achievements, scientific working organizations, the nationalization of production processes and private property. However, after a certain time (1945-1953), the conception of agricultural collectivization was abandoned, since this concept did not bring the desired results, i.e. serious problems in food production occurred. Characteristic of this period was the problem of deficiency in food products, which caused agriculture to be one of the main causes of inflation.

<sup>2</sup> The aim of collectivization was the fast liquidation of private property over land and fixed assets for work, and the establishment of working cooperative associations and large homesteads, in order to increase agricultural production and to solve, at that time, existing problems with food deficits.

The new concept of agricultural policy in the Former SFRJ, defined in 1957, favored a social aspect of agriculture through support of the social sector, thereby allowing small husbandries. This model of agricultural policy encouraged the creation of bimodal agriculture, where the production sector of privileged social mass goods was supported by land and capital concentration, intensive use of bio-chemical and mechanical inputs, and the like. The private sector, marked as the traditional sector for the production of small goods, was in many ways, due to ideological-political reasons, inhibited in its development – the possibility for expanding the land fund was limited by the introduction of a land maximum, by the prohibition for mechanization purchases, and the like.<sup>3</sup> Input production, processing, and the trade of agricultural products were „in the hands“ of government or social capital. Prices were centrally set and standardized on the basis of social sector performances with more efficient and effective production. Such agricultural development strategy did not have economic character, but was a political-social-economic construction, which was supposed to enable the development of agriculture with the change of social-economic relations in agriculture and in the country. „The consequence of such a bimodal strategy was that agriculture did not develop as a whole with unique development potential and that the multiplicative economy effect of the size of both sectors and their different development performances resulted in a disproportionate, slower growth rate of total production“ (Gajic 1998).

The period during the nineties of the last century was marked by sanctions imposed by the United Nations Security Council. Consequently, this involuntarily chosen model of closed economy inevitably led to a decrease in production, while the function of agriculture was brought to merely providing food to the people. The more holistic formulation of agricultural policy measures has been followed by normalization of relations with the international community.

**Agriculture Policy Measures in the Period after 2001.** In the period after 2001, agricultural policy in Serbia was characterized by limitations in the size of the agricultural budget and initiatives, mainly for the increase of production, especially milk production and support for institutional adjustment. Market support dominant in the first years after 2001 gradually decreased, while support for the improvement of agricultural structures increased. The importance of loan support to agricultural producers has grown since 2004, while financial support to the income of farmers has grown since 2006. Support measures to agricultural development occurred in 2004, yet support for rural development investment programs in Serbia was rather modest, which was conditioned by hard budget restrictions on a macro level. Export subsidies have been introduced since 2003 for the meat – veal, beef, pork, and meat products, milk and dairy products, fruits and vegetables, and some other food products.

Direct support to agricultural producers was limited to the establishment of a protective price for wheat<sup>4</sup> and to a certain extent for sugar beet and tobacco<sup>5</sup>, as well as subsidies for milk, sugar beet, tobacco, heifers, breeding bulls, sheep, and newly developing vineyards and orchards, while in 2005 there was anticipated, temporary support for hop growers. Production subsidies were reserved only for milk, whereas other product payments were introduced per area or per head of cattle. The liberalization of food prices eliminated ample consumer subsidies, insomuch as the control of consumer prices referred merely to setting a maximum price for so called „black“ bread. Public expenditure for agriculture is not big (Figure 12), with the majority of subsidies in the total expenses of the agricultural budget. Public warehousing, operational expenses of government agencies, and stabilization intervention on the market are financed by the budget. The Department of Commodity Reserves became the main source for subsidies through proceeds from wheat, inputs, and seasonal loans. In this way, activities of the

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<sup>3</sup> For example, until 1965 individual farmers in the Former SFRJ could not buy new tractors.

<sup>4</sup> Due to a lack of financial means, protective prices for strategic products were lifted in 2002. However, by imposing the obligation to the Department of Commodity Reserves to buy up significant amounts of wheat, the system of protective prices was kept in concealed form.

<sup>5</sup> As is the condition for obtaining production subsidies, sugar beet and tobacco processors were obliged to pay the producers minimum prices set by the state.

private sector were limited in this market segment, thereby creating distortions to production factor markets and markets for final agricultural products (Csaki & Zuschlang 2004).

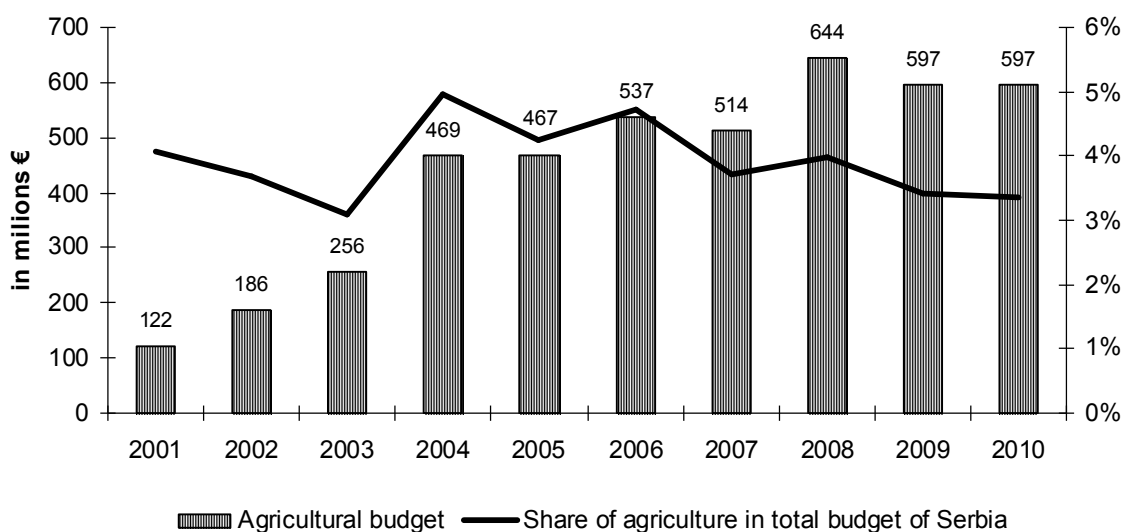


Figure 12. Agricultural budget in Serbia (source: Budget Laws of Republic of Serbia in period 2001-2010)

During the first few years, the protection of imports for agricultural products in Serbia was considerably reduced. Customs duties on meat and meat related products and to a lesser degree for milk and dairy products were increased, while the total customs charges were decreased for oil seeds and fruits, industrial and medicinal herbs, coffee, tea, spices, edible fruits and the like (Bogdanov 2004). Export quotas, licenses and export subsidies, although not significant, were being restricted. Nevertheless, there were import quotas for some basic agricultural products. Raw materials were often subject to high tariffs in regards to the protection of processed or half processed products. The general VAT rate in Serbia is 18%, but most of the agricultural products are taxed at the rate of 8%. At the same rate the inputs – mineral fertilizers, plant protective aids, and planting material – are taxed, while the agricultural mechanization is taxed at a rate of 18%.

The institutions responsible for the agricultural sector do not have completely coordinated activities. Their financial means are limited and they are therefore not adjusted to their role in the market economy. The protection level for the health of plants and animals is inadequate, while the range of advisory service is very limited. Most of the research institutions are sustained by the income of their commercial activities. The education of agricultural experts was largely and still is based on socialist principles of large agricultural production and intensive production systems typical for *agro-kombinati*. The banking sector in Serbia is largely privatized by the capital of foreign banks, which offer more loans for agriculture. However, the interest rates are still high, whilst the loan time limits are short to comply with the conditions in which agriculture operates. The privatization process of agro-processing companies has improved considerably in the last decade. The privatization of beer, tobacco, or confectionery industries was carried out with a considerable amount of foreign capital or from large multinational companies. The privatization processes are somewhat slower in the segment of primary processing – sugar factories, mills etc., while most problems occur in the input production industry. Large numbers of processing capacities, especially in primary production, operate with obsolete technologies and with a low rate of exploitation, which significantly reflects the level of competitiveness in regards to quality and prices (Zekic 2008).

Unfavorable resource structure in agriculture (Figure 9) portrayed by a relatively large number of workers in this sector determines the low level of labor productivity (Figure 10). In this context the problem is dual structure in agriculture, i.e. co-existence

of small semi-natural farms and commercial farming sector. This causes low labor productivity in small farms which consequently cannot ensure adequate income for these farmers. Such situation adversely affects the profitability in the part of agriculture, diminishes the volume of investments and makes the increase in competitiveness impossible. Another problem for semi-natural farms is reaching EU standards, i.e. EU requirements concerning product quality, especially in livestock production.

**Agriculture Perspectives within EU Integration.** Though agriculture is declining as a share of GDP, it yet will remain important for Serbia's economy as a key source of export earnings and as the backbone of the rural economy (World Bank 2006). In April 2008 Serbia has signed Stabilization and Association Agreement with EU. Since February 2009 Serbia unilaterally implement Interim trade agreement, and in February 2010 EU unfreeze trade agreement. Implementing Interim trade agreement will gradually lead to abolition or significantly lowering border protection in period to 2014. For example remained border protection from 2014 for meat and meat product will be mostly in range 3 to 15% and for milk products 6 to 9% (except cheese 18%). Achieving competitiveness level with food producers in EU countries is important not only for farm sector, but equally for enterprises in food processing industry. Trade liberalization will expose food processors to stronger competition on domestic market. It is already seen situation that farmers in new EU member countries (Slovenia, Hungary) are exporting, for example row milk to other EU countries with more competitive dairy industry.

Harmonization of laws and food safety standards is in process. Just in 2009 Serbian Parliament adopted 15 new Laws from agriculture area, and in first half of 2010 next 13 are planed for adoption. In food safety area bigger firms of food industry are implementing HACCAP systems.

Infrastructure restructuring in area of further development extension service and sustainable demand driven agriculture research is another challenge that already had to been solved but in lack of political decisiveness it is postponed. Developing a good statistical data-basis more focused on farms and performing whole agriculture Census is highly necessary for developing adequate agricultural measures, and controls of their effects. Vertical and horizontal integrations and cooperation through agribusiness sector are not developed. Some good examples of vertical cooperation along food chains are presented in dairy and some industrial crops food chains. Serbia does not have traditional cooperatives, and this problem wasn't well addressed in previous agriculture policy.

**Conclusions.** Importance of Serbian agriculture in the economy is decreasing in GDP, active labor and external trade share. But, it is still important, especially if it is analyzed through agribusiness concept. Farm number is decreasing with more intensive rate in last two decades. Structure of farms is mainly bimodal, with traditionally dominance in number and recourses of small family farms. During last two decades structure is slowly changing by the group of middle sized family farms that are increasing in number and resource used. Agriculture production structure is based on plant production, which create 65% of total production value and rest is contributed by livestock production. Livestock population is decreasing with strongest rate in cattle.

The agricultural structure in Serbia is far more unfavorable than in the EU countries – relatively large number active farmers per unit of land, which largely determines the relatively low level of partial productivity in agriculture. This is especially noticeable in labor productivity. As a result, the level of competitiveness of the agricultural sector is fairly lower compared to the EU countries. Serbian agriculture needs restructuring in order to increase of agricultural productivity and hence competitiveness of agriculture.

Signing Stabilization and Association Agreement with EU Serbia takes a closer step to EU integrations. Many challenges are on that way. Some of those are harmonization of Laws and food safety standards, infrastructure restructuring, greater exposure to external competition etc. Agriculture policy has to dill with all of them focusing on building more competitive agriculture.

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Authors:

Rade Popovic, University in Novi Sad, The Faculty of Economics in Subotica, Department of agricultural economics and agribusiness, Serbia; Segedinski put 9-11, 24000 Subotica, Tel: +38124/628 064; +38163/8041 301; e-mail: [popovicr@ef.uns.ac.rs](mailto:popovicr@ef.uns.ac.rs)

Stanislav Zekic, University in Novi Sad, The Faculty of Economics in Subotica, Department of agricultural economics and agribusiness, Serbia, Segedinski put 9-11, 24000 Subotica, Tel: +38121/485 2909; +38163/557 573; e-mail: [zekics@ef.uns.ac.rs](mailto:zekics@ef.uns.ac.rs)

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