



# ORGANIC PRODUCTION IN SERBIA

## At a Glance 2020



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Republic of Serbia

Ministry  
of Agriculture, Forestry  
and Water Management



Serbia  
organica

NATIONAL  
ASSOCIATION  
FOR ORGANIC  
PRODUCTION

# ORGANIC PRODUCTION IN SERBIA

At a glance **2020**

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## Acronyms

<b>ADA</b>	Austrian Development Agency
<b>AMISS</b>	Agricultural Market Information System of Serbia
<b>AH</b>	Agricultural holding
<b>ATS</b>	Accreditation Body of Serbia
<b>BMZ</b>	German Federal Ministry for Economic Cooperation and Development
<b>CAP</b>	Common Agricultural Policy
<b>CEFTA</b>	Free trade agreement in Central Europe
<b>EAFRD</b>	European agricultural fund for rural development
<b>EFSA</b>	European Food Safety Authority
<b>EC</b>	European Commission
<b>EU</b>	European Union
<b>FAO</b>	Food and Agriculture Organization of the UN
<b>FIBL</b>	Research Institute of Organic Agriculture
<b>GAP</b>	Good Agricultural Practice
<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
<b>GMO</b>	Genetically modified organism
<b>IFOAM</b>	Globally organic movement
<b>MSME</b>	Micro, small and medium enterprise
<b>IPA</b>	Instrument for Pre-Accession Assistance
<b>IPARD</b>	Instrument for Pre-Accession Assistance for Rural Development
<b>ISO</b>	International Organization for Standardization
<b>MIS</b>	Marketing Information System in Agriculture
<b>MAFWM</b>	Ministry of Agriculture, Forestry and Water management
<b>NASO</b>	National association Serbia Organica
<b>NGO</b>	Non-governmental organization
<b>NRDP</b>	National Rural Development Program
<b>OTA</b>	Organic trade association
<b>PKS</b>	Serbian Chamber of Commerce
<b>SIEPA</b>	Serbian investment and export promotion agency
<b>REC</b>	Regional environmental center for Central and Eastern Europe
<b>SIDA</b>	Sweden international development agency
<b>SIPPO</b>	Swiss Import Promotion Programmed
<b>USAID</b>	United States Agency for International Development
<b>USDA</b>	United States Department of Agriculture

## FOREWORD

Organic production in Serbia has an excellent possibilities and represents a great opportunity for our country, due to high demand for these types of products in the world as well as here.

Larger area under organic production, more producers, and bigger export rate show that the interest for this production in Serbia exists.

Our domestic organic products for some time can be found on the European market, which is our main export market. Moreover, we made contacts with the new export markets for agricultural products, like China, Russia, Turkey, India, Egypt, which can be interested for organic products as well.

Goal of the Ministry of Agriculture, Forestry and Water Management is to increase area under organic production and number of organic producers; therefore we shaped activities and measurements to facilitate the growth of organic production and the competitiveness of organic products.

Organic production is extremely demanding and requires knowledge as well as investments in production and processing, for that reason this year we have allocated significantly higher subsidies for organic plant production. Organic producers can get 400% more funds than the conventional one, which is 10 times more than just four years ago.

Producers in the conversion period, when the support is needed the most, can apply for the subsidies for the organic production. This is important to emphasize as they at the very beginning of production still do not have certified organic products with the added value.

We also support organic producers through reimbursement of the part of the cost for control and certification. Moreover, we made a step further on a harmonization of the national laws with the EU legislation. The new Rulebook on regulation of the methods of the organic production, system of control and certification, as well as organic wine production, a completely new scope, have been adopted. At the moment a new Law on organic production is being prepared.

Besides the national support measures, producers have the opportunity to modernize own production and become competitive on the market benefiting from IPARD funds for investments in the primary production and processing, especially since organic producers score more points at the selection of projects for financing. Considering organic production is the sector with serious profit and where we can be competitive on the foreign market, Ministry of Agriculture, Forestry and Water Management will continue activities on advancement of this production taking even better measures of support for production and processing, setting more efficient control system and setting other stimulating and appropriate measures.

Branislav Nedimović

Minister of Agriculture, Forestry  
and Water Management

Since 2009 Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH is supporting organic production development in Serbia through various projects (WBF, ACCESS and PSD), on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). Back then GIZ was the first international organization offering strategic assistance, of still small sector in that time, showing its significance. GIZ kept its role as the “patron” of the organic sector in Serbia until today, supporting constantly its development and growth along with its few actors. Organic market value has the upward trend for a long period of time. Just in this century, global sale of organic food and drinks increased six times, exceeding 100 billion dollars in 2018 for the first time, accounting 105.5 billion dollars, with European market value of 45 billion dollars (40.1 billion EUR). USA market value in 2018 was the biggest, accounting 51 billion dollars, followed by Germany with 12 billion Euros value in 2019. Global pandemic of the Covid 19 challenged trade, industry, agriculture and transport, as well as organic sector.

Awareness of people on healthy food produced according to the principles of organic and sustainable agriculture increased fast, along with the value of these products on the global market. From the very beginning, GIZ in Serbia supports the legal framework for development of organic agriculture, efficient control system and organic products’ market in Serbia and abroad. In intense cooperation with umbrella institutions in sector, Ministry of Agriculture, Forestry and Water Management, Serbian Chamber of Commerce and the National association Serbia Organica, numerous activities were organized to support export capacities of small and medium size producers, then participation at Biofach fair and many B2B events in cooperation with the German Import Promotion Desk (IPD) took place also.

Significant progress is achieved in harmonization of legislation in the area of the small size producers and their market access; a Catalogue of non-conformities and list of sanctions applied by the Control bodies is made; a new National action plan for development of organic production is prepared; for the first time the analysis of the total value of the organic agriculture in Serbia is made. This sector is supported in software development enabling organic producers to keep their administrative work via “AgroLife” platform. The first interactive database on organic production of the Ministry of Agriculture was supported also. This publication gives a critical insight on the overall sector and all the aspects important for it, with the aim to present realistic structure of organic production in Serbia, the value of organic market and its current status and challenges ahead, for all the interested stakeholders. Hopefully, we will continue to cherish awareness on importance of this sector and to witness its expansion in the future, here we will stop and leave you to read this publication.

Tomislav Knežević



Team Leader of GIZ PSD Project

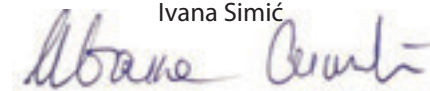
Organic production, as the living food system, is important source of innovative agriculture use to overcome challenges and improve competitiveness of producers and domestic agriculture generally.

Recognizing this potential, Serbia Organica selflessly manage to support organic production on all the levels, designing and initiating many actions toward setting suitable ambiance that can boost development of the entire sector.

Due to the COVID 19 pandemic and its consequences, transition to a sustainable food system positively influencing on the environment, health and society, providing significant economic benefits is now more then ever in focus. The COVID-19 pandemic has underlined the importance of a robust and resilient food system that functions in all circumstances, and is capable of ensuring access to a sufficient and affordable food for citizens. Also, it made us aware of the interrelations between our health, ecosystems, supply chains, consumption patterns and global boundaries. Undoubtedly we need to do much more to preserve population and the planet. The current pandemic is just one example. The increasing recurrence of droughts, floods, forest fires and new pests are a constant reminder that our food system is fragile and must become more sustainable and resilient. The “Farm to Fork” published in May 2020 by the European Commission is a new comprehensive approach to how Europeans estimate food sustainability. Current events are an opportunity to improve lifestyle, health, and the environment. People pay more attention to environmental, health, social and ethical issues and they seek value in food more than ever before. They want fresh, less processed, sustainably sourced and safety in food. Need for the shorter supply chains have intensified during the current outbreak. Consumers should be empowered to choose sustainable food and all actors in the food chain should see this as their responsibility and opportunity. In the Strategy “Farm to Fork” is emphasized that “there is an urgent need to reduce dependency on pesticides and antibiotics, reduce excess fertilization, increase organic farming, improve animal welfare, and reduce biodiversity loss”.

All above mentioned recommendations are basic principles of the organic farming; current condition caused by the pandemic guides us and opens more possibilities than ever to work intensively on faster development of organic production in Serbia, united as the society.

Ivana Simić



General Secretary of Serbia Organica



## SUMMARY

This Study reviews the current status of the organic agriculture in Serbia and examines the sector in the context of historical developments, future challenges and opportunities.

Twenty years ago the first regulation on organic production was enforced; ten years after adoption of the Law on organic production written in accordance to the regulation of the European Union. On the other hand it has been three decades from the initial steps in development of the civil society, which has been and remained an important link in organic sector in Serbia.

In this revised study will be presented the most important situations and changes, the current status of the organic production in Serbia, and identified future challenges and opportunities.

Organic agriculture in Serbia finds it hard to achieve a satisfactory level of growth despite the great potential and steady growth of the main parameters, in particular, in the context of the modernization of the economy in general and the agricultural sector in particular, and the need to shape the agricultural sector in such a way that it can be integrated into the framework of the common European agricultural policy.

Competition of organic producers on the national, the regional EU market and the world market can be achieved through the efficiency increase still challenging for organic sector.

Fruit production dominates, followed by the field crops and the constant growth in production of cereals, oilseed crops and fodder crops. In the past years, livestock production especially a cattle production is growing as well.

Legislative framework is regularly harmonized to the EU regulations, and control and certification of organic operators do six authorized bodies.

The biggest share of the organic products is exported, to the EU mostly, as domestic market is underdeveloped due to price sensitivity of consumers.

World organic market is constantly growing, there is a demand for organic products in many countries, recently new markets emerged for these products, and Serbia has favorable ecological, climatic and technical conditions to grow crops with high demand on the international market like vegetables, cereals and oilseeds, besides berries and other fruits.

Pre-accession funds for rural development (IPARD) support producers and processors in raising awareness of the organic production, in the same time maintaining its numerous advantages i.e. agroecological benefits, prominent R&D and educational institutions, strong ties to certain markets and a long tradition in cash crop production (berries and other fruits, vegetables, cereals, oilseed crops).

Besides IPARD, national measures of support referring to plant and livestock production, which reached satisfactory level in 2020, as well as incentives for share of costs for control and certification, remained important support for organic producers.

## DEVELOPMENT OF ORGANIC PRODUCTION IN SERBIA

The history of organic food production and processing goes back for more than thirty years.

In the last three decades institutional development, organization within sector, market development and public awareness is noticeable, and legislative framework is being harmonized to the EU legislation continuously.

Development of organic production in Serbia had passed some important turning points streaming its development. This year 2020 is exactly:

- 🌱 30 years from the first export,
- 🌱 30 years from the civil society development,
- 🌱 20 years from the first Law on organic agriculture,
- 🌱 10 years from the first Law on organic production prepared in accordance to the EU legislations,
- 🌱 11 years from the Nation Association Serbia Organica foundation.

This year is three decades since the first Serbian organic products found their way to the European consumers as the company Den Juro doo started organic fruit production in the southern Serbia, around city of Blace.

Even though organic production started before legislation regulated this sector, it is two decades from the first Law on organic agriculture ("Official Gazette" SRJ No. 28/2000). This moment initiated legislative organization of this agricultural field.

Law on organic production prepared in compliance to the EU regulations, Commission Regulation (EC) No. 834/2007 and Commission Regulation (EC) No. 889/2008, was adopted ten years ago.

Three decades passed from another important moment in organic production development in Serbia, establishment of the Terra's association in city of Subotica, when civil society development began. In this moment organic production in Serbia started to grow, various activities intensified, and in the following decade civil society sector remained significant trigger and link in development of organic pro-



duction in Serbia.

Intensive growth needed sector consolidation and establishment of the suited lobbyist and partner to the governmental institutions. This is how the National association Serbia Organica was formed, and over past eleven years association is constantly working on development, promotion and improvement of organic production in Serbia. Moreover, association initiates, influences and leads public dialogue with representatives of the relevant ministry and other relevant players, and are the main lobbyist for the welfare of the organic production in Serbia.

Over decade of work Serbia Organica contributed to numerous results and increase in land and number of producers involved in organic production.

In 2009 when Serbia Organica was founded, organic production practiced just 108 producers on 2400 ha of land, which was insignificant share of utilized agricultural land in Serbia. Since then surface under organic production has been increased tenfold, and in 2019 organic production practiced almost 7000 producers on more than 25000 hectares.

During that time, livestock production began to grow, as well as the food processing industry, and the export value was increased multiple times reaching almost 30 million Euros in 2019.

In cooperation with the relevant ministries and other national and foreign donors and partners, Serbia Organica had many activities related to institutional and legislation framework, knowledge transfer along the value chain, preparation of stimulating support measures in the sector, domestic market development and raising awareness and trust of consumers and public.

Although association lobbied for more favorable support measures in organic production, but nothing was changing until 2020 when basic incentives for plant production manifold increased. Incentives in livestock production are currently very good; still certain challenges remain that prevent producers of some categories of animals to get a national financial support.

At the initiative of Serbia Organica, in 2010 the Group for organic production was formed in the Serbian Chamber of Commerce and Industry. In the following period in the Chamber of Commerce was formed the Department for organic production, dealing with the development and export of organic products.

In 2011 was formed the Expert Council for organic production within the Ministry of Agriculture, Forestry and Water Management to discuss professional issues, to provide expert opinion and to participate in implementation of project activities in organic production.

Control and certification of organic production perform authorized control bodies. In accordance to the regulations in the organic production, all control bodies registered in Serbia need to be approved by the Ministry of Agriculture, accredited by the Accreditation Body of Serbia, and also to fulfill technical and staff requirements. In 2020 six control bodies are authorized for control and certification for organic production.

Serbia is over a decade present on the biggest international fair of organic products Biofach in Nuremberg, Germany. Since the very beginning, for ten years, with the support of many domestic and national donors (GIZ, USAID, SIEPA, PKS), Serbia Organica organized joint participation of Serbian companies at the national Serbian booth. From 2019 Development Agency of Serbia joined NASO and PKS and financially supported Serbian companies at the Biofach exhibition.

NASO has started many activities, among which are trainings of advisors from the Extension services, introduction of the subject Organic production in the Agricultural secondary schools, accreditation for the trainings of teachers from the agricultural schools, promotional campaigns, trainings of the managers of the protected areas, publishing activity, internship for students and graduates from agricultural and food technology faculties.

During last decade emerged certain number of local and regional associations and clusters, some are still active and some are not.

In Subotica, sixteen years ago Terra's association organized the first international festival of organic products "Biofest", where organic producers, supporters of organic products and all the interested parties gathers. The festival was one of the first important events in the sector as the venue where attendees shared opinions and experiences and from where important messages were sent to the public and to the decision makers. Two years later in Selenča was organized international "Forum on organic production".

Ten years ago, with the support of the Ministry of Agriculture, NASO organized "Exhibition of organic products" within the International Agricultural fair in Novi Sad. Since 2012 in Belgrade was organized "Organic Live Fest", as the ecological festival that promotes sustainable development and organic production. Even few, local initiatives and action plans for organic production growth marked the last decade. Intensive and tangible growth of domestic market in Serbia started in the beginning of 2000. In these first few years first in Belgrade and later in Novi Sad, specialized green markets were formed, then "organic corners" in retail shops, specialized shops were opened as well as the on-line stores, certain organic producers appeared on certain green markets, and various fairs, festivals and other events for promotion of the organic products were organized.

These trends had positive feedback in public and resulted in better public awareness, popularization of organic products and organic production, raising media interest in organic production, and their positive publicity in media. As the consequence, organic production had better media coverage, organic products have entered many retail shops in the last several years, and offer of organic products has therefore became more diverse and their availability was better. The average organic consumers are parents with babies and toddlers, people with health issues, and nowadays younger generation usually more informed, educated and interested in the quality and origin of the food they consume.

Since 2018 organic producers are able to compete for IPARD funds, and use this

opportunity to invest in the primary production and processing capacities, which would help them to match competition on domestic and foreign market.

Development of the organic production in Serbia supported many foreign donors like USAID, FAO, ADA, REC, SIDA, UNDP, SIPO, EU IPA programs, Erasmus Plus, etc. Organic production has a great deal of support from the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. They have recognized the importance of the organic production as a growing sector in the world, and with a great economic potential that can promote Serbia internationally and boost Serbian economy. Within the project "Private sector development in Serbia (PSD)", GIZ with many partners organized and supported numerous activities aimed at the organic production growth. GIZ supported many activities of Serbia Organica, not to forget their support to the Ministry of Agriculture for the harmonization of legislation, as well as to the Accreditation body of Serbia (ATS) for training of evaluators, they supported also Organic Control System – control body, as well as the Serbian Chamber of Commerce and Industry in development of new services. For several years GIZ supported Biofach fair in Nuremberg. Cooperation with the Greensoft company resulted in Agrolife application, a free application for organic producers for management of their administration.

Foreign donors financed various projects aimed at development of the organic production. Agency for international development of the United States (USAID) with its Agribusiness project helped growth of the organic production and export promotion, while Competitive Economy Project, another USAID project identified organic fruit as one of the most perspective, fast growing sector of the Serbian economy and designed an overall and systematic set of interventions to assist organizations, small and middle size entrepreneurs. In 2018 among supported organizations was Serbia Organica, for improvement of its services.

This was achieved through improvement of the association's visual identity, creation of the database of Serbian organic food producers, promotional activities in order to support development of the domestic market. In partnership with PKS, and German GIZ PSD, the Project supported NASO and Serbian organic producers to exhibit at Biofach 2018 (Nuremberg). Also in 2018, the Project piloted a program with several industry lead companies (ILCs), to improve food safety practices in their value chains and expand their cooperation with smaller cold storages and family households, many of them being organic berry producers.



## OVERVIEW OF ORGANIC PRODUCTION IN SERBIA

### 2.1. Statistical analysis

In the last decade, according to the statistics, organic production has strong upward direction and is characterized by:

- 🌱 increase of areas under organic production,
- 🌱 development of livestock production,
- 🌱 more organic producers,
- 🌱 development of processing sector,
- 🌱 market grows,
- 🌱 export rises.

The biggest share of the area is under fruit production, cereals and industrial crops, while vegetables, medicinal and aromatic plants are produced on smaller area.

#### 2.1.1. Organic plant production

In Serbia in 2019 under organic plant production was 21,265 ha, which is 10.44% more than in 2018. Out of that, arable area was on 15,915 ha, and meadows and pastures were on 5,350 ha.

Organic wild berries, mushrooms and medicinal plants are not included into the official statistics, considering that the official methodology is still missing, and relevant data on wild cultivated plants does not exist.

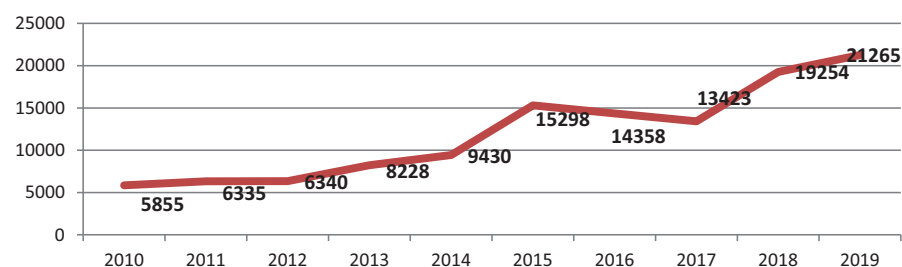
**Table 1: Area under organic production (2010-2019)**

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Area under organic production (ha)	5.855	6.335	6.340	8.228	9.548	15.298	14.358	13.423	19.254	21.265
Total arable land (ha)	2.784	3.007	5.364	5.355	7.999	13.398	12.929	11.875	13.723	15.915
Pastures and meadows (ha)	3.071	3.327	976	2.873	1.549	1.900	1.429	1.548	5.531	5.350

Source: MAFWM

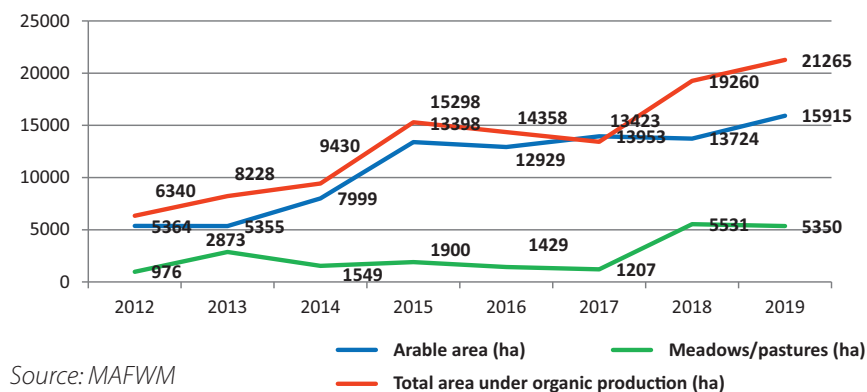
In the last ten years noticeable is uprising trend of land under organic production. In this period total area increased for 263%, while the arable land in the same period increased for 471%. In the last two years (2018 and 2019) even pastures and meadows were more present due to development of the livestock production.

**Figure 1: Total area under organic production (2010-2019)**



Source: MAFWM

**Figure 2: Area under organic production 2012-2019**



Source: MAFWM

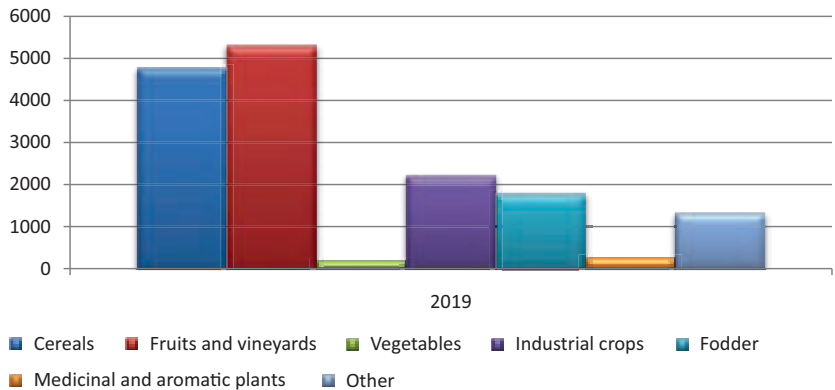
In 2019 the most popular crops grown were fruits, cereals, industrial and fodder crops. According to the production structure, field crops (industrial plants, cereals, fodder, medicinal and aromatic plants) were produced on 9,074 ha, accounting 57% of the total arable area, then followed fruit production on 5,324 ha (33.45% ), while vegetables were produced on just 184 ha, accounting 1.15% of the total area (Table 2, Figure 3). Category other which includes uncropped area, buffer zones, nurseries, fallow accounted 8.36%.

**Table 2: Organic plant production structure (2012 – 2019)**

Type of crop production (in ha)	2012	2013	2014	2015	2016	2017	2018	2019
Cereals	2.522	2.273	2829	4.252	4.607	3.662	3.614	4.788
Industrial crops	541	673	1.228	2.674	2.918	2.291	1.962	2.226
Fodder crops	663	595	1.204	1.440	1.349	1.211	1.336	1.797
Vegetables	114	107	154	171	184	230	199	184
Fruits and vineyards	1.416	1.484	2.208	2.895	3.531	4.056	5.883	5.324
Medicinal aromatic plants	28	133	61	71	113	115	193	261
Other	80	90	316	1.895	227	312	536	1.332
Total arable area	5.364	5.355	7.999	13.398	12.929	11.874	13.723	15.915
Meadows/pastures	976	2.873	1.549	1.900	1.429	1.548	5.531	5.349

Source: MAFWM

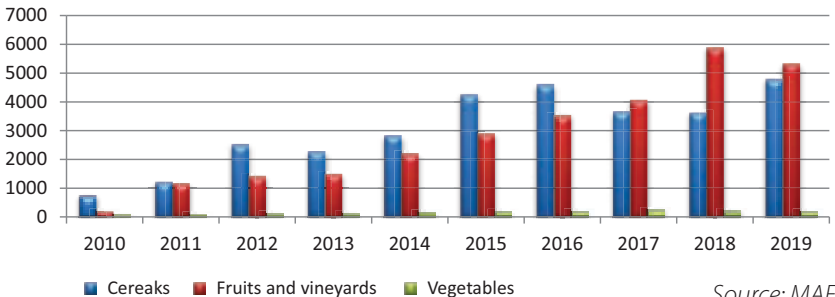
Figure 3: Structure of the arable land according to the crop type in 2019



Source: MAFWM

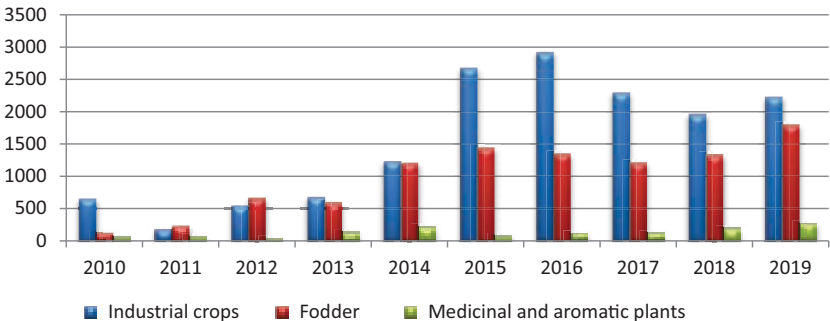
In the group of the field crops production in 2019 the most popular were cereals (54.3%), industrial crops (25.2%), and fodder crops (20.4%). Among cereals, wheat was planted on 56% of the land (2,690 ha), corn was planted on 805 ha, accounting 16,8% of the area under the field crops production. In the category of the industrial crops, sunflower as the top planted crop in the group was planted on 1,441 ha, accounting almost 65%, then followed soybeans on 479 ha accounting 21.5% of area under the industrial crops. In 2019 raspberry was the top cultivated fruit, produced on 1,977 ha and with the share of 37% in the overall fruit production, followed by apples produced on 965 ha, accounting 18%. In comparison to 2018, there was a certain decline in areas under these two crops, back then raspberry was produced on 2,385 ha and apples on 1,433 ha.

Figure 4: Breakdown of arable land (2010-2019)



Source: MAFWM

Figure 5: Breakdown of arable land (2012 – 2019)



Source: MAFWM

In the total utilized agricultural area in Serbia, organic production takes extremely small share, not even 1%. In 2019 this share was the biggest, and was 0.61%.

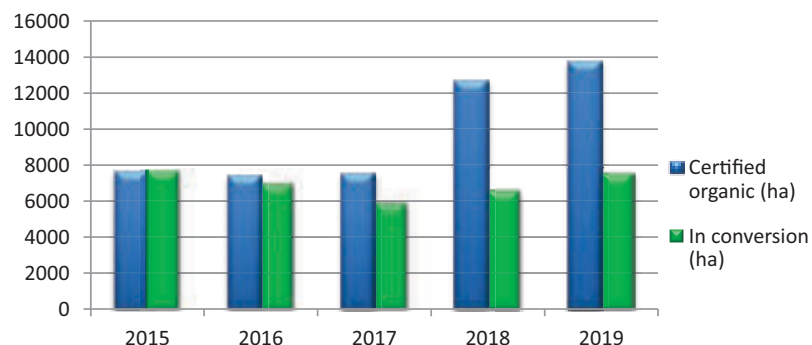
Table 3: Proportion of organic production in the total utilized agricultural land (2010-2019)

Year	Area under organic production (ha)	Organic area share of total utilized land (in %)
2010.	5.855	
2011.	6.335	
2012.	6.340	0,18
2013.	8.228	0,23
2014.	9.548	0,28
2015.	15.298	0,44
2016.	14.358	0,41
2017.	13.423	0,38
2018.	19.254	0,55
2019.	21.265	0,61

Source: MAFWM

Organic certified areas in 2019 covered 13,726 ha, accounting 64.5% of the total utilized agricultural land, while areas in conversion covered 7,540 ha, accounting 35.4%. There is increase of certified organic land in the last four years (2014 – 2019), and is significantly higher in 2018 and 2019.

**Figure 6: Plant production - organic certified and in conversion (2015 - 2019)**



Source: MAFWM

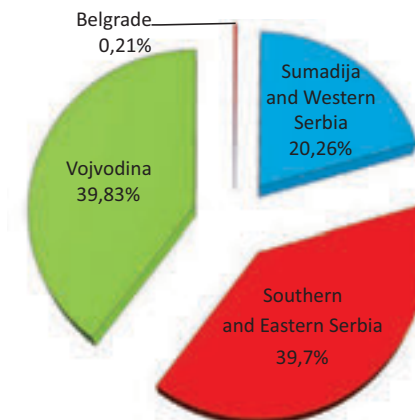
Regional proportion of the organic plant production in Serbia in 2019 shows that Vojvodina has the largest area under organic production (8,470 ha), while South and East Serbia have somewhat less (8,440 ha), that is with certified organic and land in conversion included. These two regions with almost equal land proportion take almost 80% of the total areas under organic production. Šumadija and Western Serbia take share of 20.26%, while Belgrade region has negligible share of the organic land in Serbia

**Table 4: Organic plant production in regions, 2019**

No	Region	Total area (in ha)	Share (in %)
1.	Belgrade	45,9	0,21
2.	Šumadija and Western Serbia	4.310	20,26
3.	South and Eastern Serbia	8.440	39,7
4.	Vojvodina	8.470	39,83
<b>Total area (ha)</b>		21.265	100

Source: MAFWM

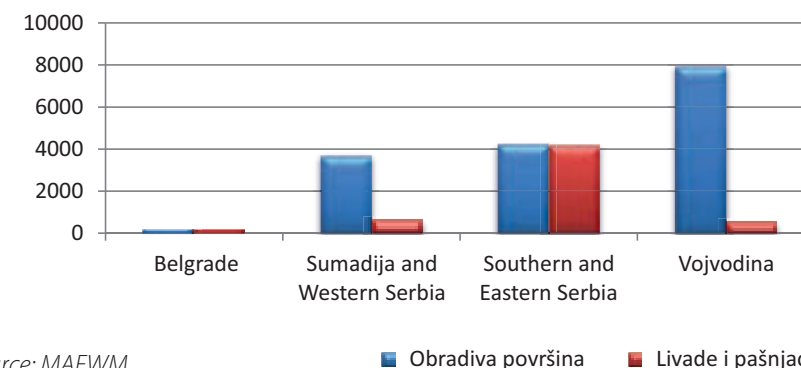
**Figure 7: Organic plant production in regions, 2019**



Source: MAFWM

According to the arable organic area in the regions in Serbia, Vojvodina has the largest area, 7,952 ha, followed by South and East Serbia with 4,236 ha, Šumadija and West Serbia with 3,683 ha, and Belgrade with 43,7 ha. Meadows and pastures are predominant in South and East Serbia with 4,204 ha, which makes 78.6% of the total meadows and pastures, other regions have significantly low share of it (Figure 8).

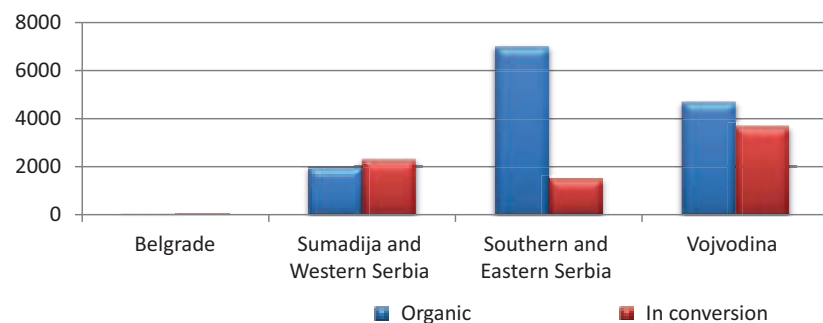
**Figure 8: Breakdown of arable areas and meadows/pastures in regions**



Source: MAFWM

South and East Serbia have more land in organic status (almost 7,000 ha) than Vojvodina (4,736 ha), while Vojvodina has larger area in organic production, in conversion and in organic status together (Figure 9). Šumadija and West Serbia have slightly more areas in conversion than in organic status.

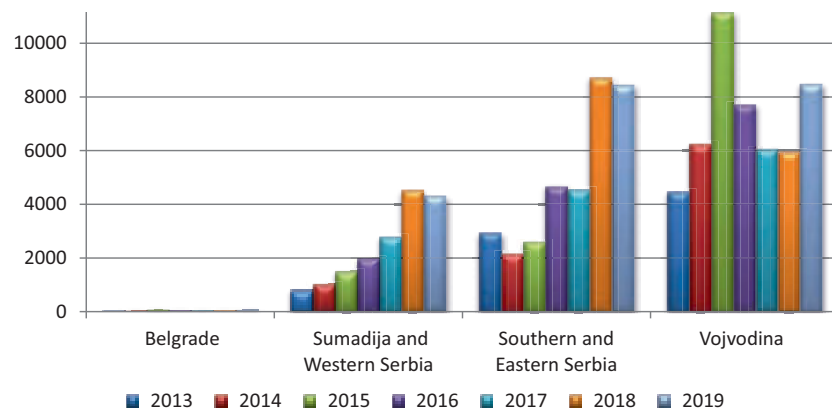
**Figure 9: Breakdown of total area in organic status and in conversion by regions, 2019**



Source: MAFWM

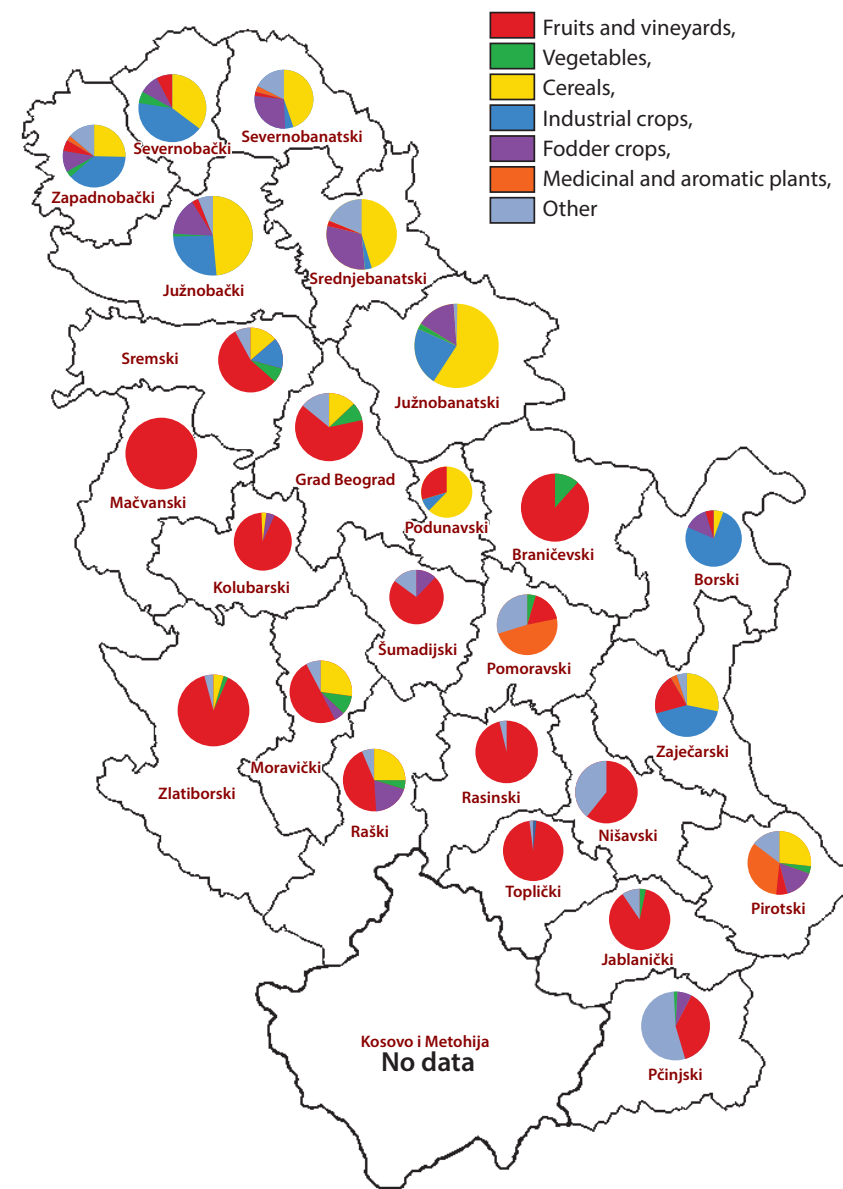
South and East Serbia show positive trend in development of organic plant production in period between 2013 and 2019 (Figure 10), especially in 2018 and 2019. In period between 2013 and 2015, particularly in 2015, Vojvodina expanded organic production, however, from 2016 – 2018 there is a certain decline in organic certified land, which got the upward line again in 2019, although still less than in 2015. Šumadija and Western Serbia have a constant growth in organic farming, especially in 2018 and 2019 (Figure 10).

**Figure 10: Regional distribution of the organic plant production (2013-2019)**



Source: MAFWM

**Map: Regional distribution of organic plant production in Serbia, 2019**



Ostalo: površine bez useva, izolacioni pojasevi, sadni materijal, parlog i druge razne kulture.

## 2.1.2. Organic livestock production

Organic livestock production is less popular than the organic plant production, fewer farmers are involved in the livestock production. One of the reasons could be more demanding procedures and rules one has to follow, like special requirements regarding the facilities where animals are kept, purchase of animals, their nutrition and welfare. Also, sale of the animal products requires implementation of various technological and organic conditions for processing, storing and transport.

Still, livestock production in Serbia monitors certain growth, in 2019 poultry production increased (343%), bee keeping also (254%), as well as sheep production (40%), and cattle production (36%), while goat production decline 64% in comparison to 2018.

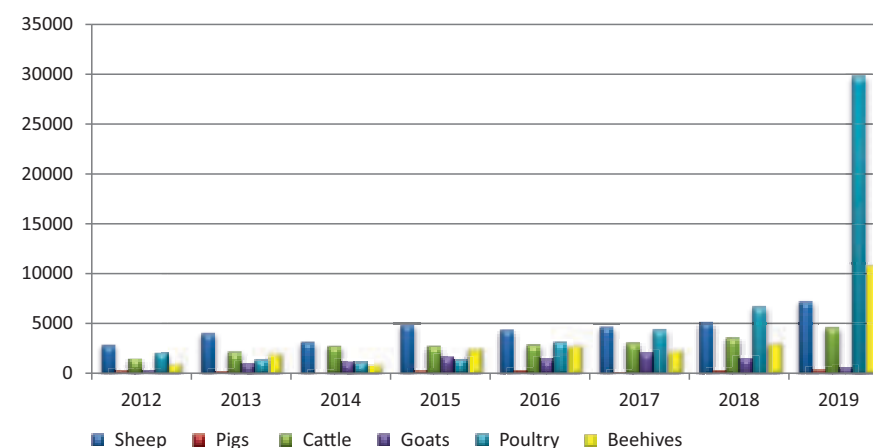
Novelty in Serbia is the group livestock production, so far, typical for the plant production.

Table 5: Organic livestock production in Serbia (2012-2019)

Type of animal	2012	2013	2014	2015	2016	2017	2018	2019
Sheep	2.837	4.031	3.153	4.848	4.378	4.665	5.138	7.220
Pigs	206	175	76	232	283	87	284	386
Cattle	1.428	2.176	2.726	2.746	2.895	3.094	3.594	4.625
Goats	211	946	1.154	1.686	1.406	2.048	1.486	536
Poultry	2.034	1.390	1.140	1.380	3.158	4.415	6.735	29.880
Donkeys	7	21	17	20	2	47	/	/
Horses	66	210	173	218	165	177	114	73
Beehives	961	1.940	894	2.504	2.878	2.307	3.061	10.855

Source: MAFWM

Figure 11: Organic livestock production (2012 - 2019)



Source: MAFWM

## 2.1.3. Organic producers

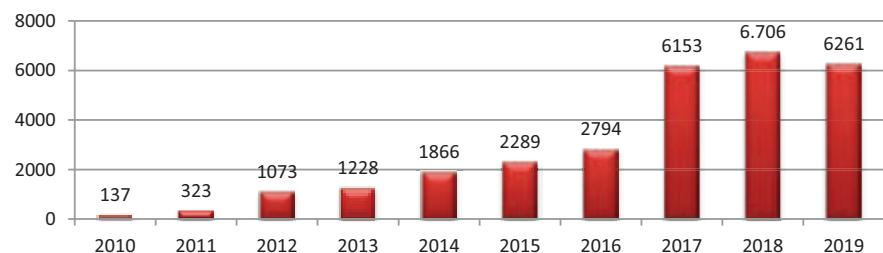
Number of organic producers has increased over years. There are less individual organic producers in comparison to the big number of producers in the group certification. The group certification showed in Serbia as a successful model, and in the most cases its products are export-oriented. During 2019 number of organic certified producers increased from 503 in 2018 to 534.

Table 6: Organic producers (2010 - 2016)

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Certified producers	137	323	237	258	291	334	390	434	500	534
Cooperants			836	970	1.575	1.955	2.404	5.719	6.206	5.727
Total	137	323	1.073	1.228	1.866	2.289	2.794	6.153	6.706	6.261

Source: MAFWM

Figure 12: Organic producers (2010 - 2019)



Source: MAFWM

## 2.2. Organic production actors and inputs

### 2.2.1. Profile of producers

Producers included in organic farming can be natural or legal persons, owners of the certificate or cooperants in the system of the group certification - organizer of the system of the internal control of the group production is in the same time owner of the certificate. Natural persons are among the majority of certified organic producers. For small farms, organic farming is the most profitable agricultural branch, either if they sell on the local market, or if they belong to the system of group production.

System of the group production is successfully present in Serbia over decades and includes over 90% of producers. Companies and legal entities, organizers of the system of the group production and certificate holders, are mainly fruit producers and export oriented, predominately in South, Central and West Serbia.

Still, there are novelties as the group production of the livestock (cattle, sheep), in the hilly-mountainous regions of West Serbia.

Primary organic producers - certificate holders are mainly oriented to the plant production and on sale on the local market. Family farms, vegetable producers were predominant before, and mostly in Vojvodina. Recently, the number of organic farms increased across Serbia, along with the diversification of agricultural production. Careful planning of the plant production gives them possibility to extend the seasonality of their products. Moreover, as organic products are scarce on the market, competition is lacking. Added value product gives those small producers

opportunity to run their farm as the family business, management makes family members, and profit stays in the family. In comparison to the conventional products, organic products as the added value products give small scale producers advantage on the local market, as their prices are higher and competition is lacking. New trends in diet increased demand for organic products. As the results of this trend, large scale producers invested into the modern agricultural equipment and organic farming, focusing on the added value product and cutting intermediaries in the value chain, this way cutting expenses.

Among the first followers of this trend was the biggest dairy farm in Serbia, in Čurug village in Vojvodina province. Farm integrated plant and livestock production, feed and renewable resources production both. This is unique model in the region of successful diversification of the agricultural and non-agricultural activities.

The large scale farms and companies are mostly cereals and industrial crops producers, therefore they are not competition to the small producers. On the other hand, small producers are oriented to the local market and to the seasonal vegetable production, rarely to the fruit production, and in some percentage to the greenhouse production.

### Group production

The group production in Serbia was for the first time regulated by the Rulebook on control and certification in organic production and methods of organic production ("Official Gazette" RS No. 48/11 and 40/12) in 2011. This type of production was eligible just for the third countries and was not implemented in the EU member states. The new EU regulation No. 848/2018 in force from 1 January 2021 allows group certified production in the EU member states as well, and rules for members of the group certification are specified in this regulation.

According to the regulation in RS legal entity (certificate holder) can contract producers/cooperants for production of the same or similar type of organic production, in the specific geographical area.

Producer as the organizer of the group production in contract with the authorized control body specifies all the cooperants he has contracted. Producer sets up the internal control system of the group where the person in charge at least once per year visits each cooperant and verifies if organic principles are respected. Besides this internal control, cooperants are checked yearly by the inspectors of the authorized control body.

In Serbia there is still less certificate holder than cooperants included in the group system of production and certification. In 2019 there were 6,261 organic producers, and of that number 5,727 (91%) are cooperants, while 45 are group production organizers.

## 2.2.2. Food processing industry

Food processing industry in Serbia is growing. Many producers invest into the primary or secondary level of processing, trying to shorten the value chain.

Over 120 operators in the organic sector in Serbia prepare organic food. Some of them deal with conventional food as well, while to others organic food preparation is the main activity.

Frozen food processors dominates in the sector, the majority of them are exporters. Still, the new cold stores are built and conventional food processors deal with organic food parallel.

Frozen food processors often have fruit driers, and for that reason the most of the exported organic fruits are frozen and dried.

The rest of the processors have the equipment for preparation of jams, fruit spreads, juices, cereals grinders and pepper grinder. The end products from these technology lines are scarce unfortunately. Companies are struggling to survive on the market. Due to the low quantities and the high prices of the raw material, domestic companies cannot compete with large, foreign companies whose products are overwhelming Serbian market.

At the moment, small scale producers are thriving to prolong seasonality in their offer, and to enrich assortment with some ready-to-eat or semi-processed food. From the financial aspect, producers will this way profit more if products are present on the market longer period of time.

Besides cooperants, who have contracted production and sale, small scale producers sell on the farm or on the local market. They often make jams, juices, and other home made products, sometimes according to the buyers' orders and wish.

Although production is satisfactory and marketing positioning is good, processing facilities are lacking. Producers would need to extend the assortment in order to profit more from the value added product.

Packing and emballage of the organic products are mostly inadequately labeled, still there are positive examples on the market.

In Vojvodina milk is the top processed product, then follows field crops processed into the oils and spreads, flour and similar, and certain processing is noticeable in vegetable production also. In South, East and West Serbia, organic fruits are mostly sold to the cold stores, and some is processed into the juices, fruit spreads, jams on the producers' farms. This is the new trend in these regions.

Animal based product in the Southeast, West and Central Serbia is still on a very low level. Few producers make cheese, still have difficulties to sell it under the price for organic product, as their processing conditions did not meet certifying objectives. Products are mostly sold to known buyers. The same situation is in the meat area, certified slaughter houses are lacking, concurrently such products cannot be sold in the retail shops, and their value is diminished.

### **Challenges identified in sector<sup>1</sup>:**

- The organic raw material is expensive in Serbia, due to the low production rate, old and outdated mechanization and the lack of adequate subsidies. Therefore processors are in unfavorable position since they cannot compete with prices on foreign and domestic market. This competition is intensified with cancellation of tariffs enforced in Serbia from 01/01/2014 for the processed foods of the EU origin imported to Serbia.
- Most of the processors do not work at full capacity due to limited supply of raw materials and also limited demand. The small scale production also decreases the profitability of the sector.
- The continuous supply of the organic raw materials is very uncertain. Even if producers have contracts with farmers, price of the contracted product is unknown before the harvest itself. The contract is more or less only a "Memorandum of Understanding". This is a weakness for processors since they cannot plan their production, costs etc.
- In some cases the suppliers are not reliable, the processors have to supervise and control their production.
- Some of the processors are not competitive internationally; they are not potential partners for international distributors. It is difficult for them to enter the export markets.

### **Advantages identified within sector<sup>2</sup>:**

- Processors' applied technology is up-to-date in the most cases, as well as implemented quality assurance systems which qualifies them as marketable at the international markets from the aspect of the food quality.
- The processors started to integrate their suppliers into the group production system. They give them technological advices about organic production, organize training, and pay the certification costs instead of the farmers. In the long-term this cooperation will help in developing a secure supplier network and to strengthen the connection between the processor and its suppliers.

## 2.2.3. Inputs for organic production

### **Plant protection and plant nutrition inputs in organic agricultural production**

For a long time the issue of availability of the plant protection and plant nutrition inputs is present in the organic sector.

In accordance to the organic production regulation, only inputs whose active sub-

<sup>1</sup> Keselj Olga (2014), *Assessment of capacity development for region specific products in Serbia*, FAO UN, Belgrade.

<sup>2</sup> Keselj Olga (2014), *Assessment of capacity development for region specific products in Serbia*, FAO UN, Belgrade

stances are allowed for use in the organic farming can be used for the plant protection and nutrition. The list of allowed active substances is given in the annexes of the Rulebook on control and certification in the organic production and with methods of organic production ("Official Gazette" RS No. 95/20).

Inputs for the plant protection and nutrition that are permitted for use in organic farming are registered in the same way as products for use in the conventional production. Given the small area under organic production, the registration of these products in the Plant Protection Directorate of the Ministry of Agriculture, Forestry and Water Management was not economically viable for both producers and importers, therefore, we did not have enough registered products allowed for use in organic production in Serbia, and producers struggled to keep running organic production.

Additional problem was that list of allowed substances for organic farming, where were products for protection and nutrition of the plants joined, confusing producers in selection of the adequate product.

For that reason, at the initiative of the Expert Council for organic production, in May 2017, MAFWM formed a Working group to develop and update the List of plant protection products and the List of products for plant nutrition and soil enhancers that can be used in organic production. This working group is managed by the Plant Protection Directorate of the MAFWM, which publishes updated lists on its website. Permitted plant nutrition products and soil enhancers can be used when needed to preserve soil fertility and microbial activity. Also, the application of permitted plant protection products is allowed when the application of recommended agro-technical measures against pests, diseases and weeds, like presence of predators, the choice of species and varieties, appropriate crop rotation, method of soil cultivation, use of allelopathic relationships and establishment of protection belts and other agro-technical measures, are not successful and plants cannot be adequately protected and there is a potential risk for them.

Availability of inputs allowed for use in organic farming increased over time, along with the sector growth, and today, for use in organic production are registered:

-266 products for plant protection and soil enhancers,

- 50 plant protection products (30 chemical fungicides, 6 microbiological and biochemical biofungicides, 8 insecticides, 4 bioinsecticides, 1 acaricides and 1 limacides).

## Reproductive material for organic plant production

In organic plant production varieties and species adapted to the agro-ecological conditions are preferred, especially autochthonous and domestic varieties tolerant to pests and diseases.

In organic production is used reproductive material produced organically.

Availability of organic reproductive material can be checked on the website of the MAFWM. Plant varieties and species need to be entered in the database of the reproductive material; otherwise it would be considered unavailable.

Reproductive material for organic production produced on producers farm from own plant material can be used for own purposes, with approval of the control body, if producer practice organic production on his farm.

In case there is no available organic reproductive material on the market, can be used propagation material from the conversion period. In exceptional cases can be authorized for use conventional non-treated plant propagation material (proof submitted), if:

1) There is no available organic propagation material on the market.

In this case, if the variety is in question, in organic farming can be used material from conventional production if the variety is not registered in the database of reproductive material and neither one of the existing varieties is suitable, and if just that specific variety is important for production.

Also, if the producer has ordered seeds/propagation material, which supplier cannot deliver before sowing/planting, it is considered that there is no available organic reproductive material on the market.

2) Propagation material is used for scientific research.

3) Autochthonous variety is in question.

Authorized control body that controls producer can approve use of seeds/plants in the period of conversion. After conversion period, approval for use of reproductive material gives the MAFWM, Group for organic production.



## LEGISLATIVE AND INSTITUTIONAL FRAMEWORK

### 3.1. Organic production regulations

The current Law on Organic Production in the Republic of Serbia was adopted in May 2010, and its implementation began on January 1, 2011 ("Official Gazette" RS, No. 30/10, 17/19-second law). This law regulates the production of agricultural and other products in organic production, goals and principles of organic production, organic production methods, control and certification in organic production, processing, labeling, storage, transport, trade, import and export of organic products, as well as other issues important for organic production. The law was prepared in accordance with the regulations of the European Union - Council Regulation (EC) No. 834/2007 and Commission Regulation (EC) No. 889/2008. The Law has two accompanying Rulebook: Rulebook on control and certification in organic production and methods of organic production ("Official Gazette" RS, No. 95/20) and Rulebook on documentation needed to acquire the certificate from the authorized control body, as well as the conditions and channels of sale of organic products (published in the "Official Gazette" RS No. 88/16).

In July this year, the new Rulebook on control and certification in organic production and methods of organic production ("Official Gazette" RS, No. 95/20) was enforced, thus terminating the Rulebook on control and certification in organic production and methods of organic production ("Official Gazette" RS, No. 48/11 and 40/12). Adoption of these new Rulebook is a step forward in harmonization with the regulations of the European Union.

The Rulebook prescribes the methods of organic plant and livestock production, the length of the conversion period in plant and livestock production, the way of control in organic production and the measures determined by the authorized control bodies in case of irregularities in the production of organic products, content and form of records kept by the authorized control bodies, content and form of con-

solidated records, technological procedures of processing in organic production, ingredients, additives and processing aids used in processing organic products, cleaning of technological lines, labeling and the national mark of organic products, as well as the way of storage and transportation of organic products. It should be pointed out that this Rulebook regulate a completely new area related to organic wine production and prescribes in more detail the method of control of organic producers in relation to measures that the authorized Control bodies may determine in case of irregularities in organic production.

Also, in accordance with the Commission Implementing Regulation (EU) 2019/2164, the lists of allowed plant nutrition products and soil enhancers in organic production, active substances in plant protection products allowed for use in organic production, product lists, i.e. additives in the feed production that can be used in animal nutrition, ingredients, additives and processing aids used in the processing of raw materials obtained by organic production methods, yeast and yeast products and a list of products and substances permitted for use in organic production from the wine sector.

The Rulebook on the documentation submitted to the authorized control body, as well as on the prerequisites and channels of sale of organic products, prescribes in detail the documentation needed to acquire a certificate proving that the certified imported organic product is manufactured in accordance with the legislations on organic production.

### 3.2. Institutional framework

Since 2020 Group for organic production is under the jurisdiction of Department of Food Labeling, Quality Schemes and Organic Farming. Main task of the Group for organic production is annual monitoring of work of authorized Control bodies. Other tasks of the Group for organic production are:

- 🌱 preparing professional basis for drafting the regulations in the area of organic production;
- 🌱 collecting annual reports from control bodies;
- 🌱 accumulating records on organic production;
- 🌱 maintaining a list of authorized controlling bodies;
- 🌱 checking if organizations for control and certification of organic production have met criteria;
- 🌱 approving deviations from the methods of organic plant and livestock production and the processing rules in organic production;
- 🌱 approving usage of reproduction material from conventional production after the period of conversion;
- 🌱 shortening or extending period of conversion.

Group for quality, labeling and marking of food proposes the agrarian policy measures, participates in the preparation of measures and programs for budget funds allocation to encourage organic agriculture development. The group also participates in elaboration of strategic documents and preparation of professional basis for elaboration of regulations on organic production, coordinates the work of the Expert Council for organic production, and cooperates with international and domestic professional organizations.

In accordance with the Law on Organic Production, the Expert Council for organic production was formed by the Ministry of Agriculture, Forestry and Water Management in 2011 to review technical issues, provide expert opinions and participate in the implementation of project tasks related to:

- 🌱 plans and special programs in the field of organic production;
- 🌱 proposing topics for professional training of staff;
- 🌱 advising on regulations' drafting in the field of organic production;
- 🌱 counseling on improvement of organic production, and
- 🌱 working on other necessary tasks related to organic production.

### 3.3. Control system

According to the regulations, all control bodies on territory of the Republic of Serbia need to be authorized by the Ministry of Agriculture, Forestry and Water Management for control and certification activities.

Accreditation Body of Serbia, in line with SRPS EN ISO/EC 17065 standard accredits control bodies, which is one of preconditions to obtain work authorization from the Ministry of Agriculture.

In 2020 six control bodies are authorized by the MAFWM:

**Table 7: Control bodies authorized for 2020**

Authorized control bodies
Centre for food analysis ltd (CIN), Belgrade
Ecocert Balkan ltd, Belgrade
Ecovivendi ltd, Belgrade
Organic Control System ltd, Subotica
TMS CEE ltd, Belgrade
SGS ltd, Belgrade

Source: MAFWM

Inspectors for organic production controls enforcement of the Law on organic production, and implementation of the regulations adopted. Group for control of organic production is under jurisdiction of Sector for agricultural inspection.

Tasks of the Group of agricultural inspection for control of organic production:

- ④ inspection supervision over the application of laws and other regulations related to: control of organic plant and livestock production, processing procedures, ingredients, additives and processing aids, cleaning agents and methods of cleaning technology lines,
- ④ control of the ban on the use of food, feed, processing aids, reproductive material, microorganisms and animals that are genetically modified or obtained from GMOs or use GMOs;
- ④ control of labeling of certified organic products and products from the conversion period;
- ④ control of storage, transport, trade, import and export of organic products;
- ④ checking if organizations for control and certification of organic production have met criteria;
- ④ sampling and preventing illegal activities; performs other tasks in this area.

### 3.3.1. Certification of organic products for domestic market

Based on the report on completed controls and the producers' requests, the authorized control body makes a decision on certification and issues a certificate that the product or production process is in accordance with the Law on Organic Production ("Official Gazette" No. 30/10, 17/19-other law), and regulations related to the Law.

The certificate contains information on:

- 1) certificate number;
  - 2) name and address, i.e. name and business address of the producer and type of business activity;
  - 3) name, seat and code number of the authorized control body;
  - 4) product type and assortment, as well as on quantities of products;
  - 5) type of production;
  - 6) period of validity;
  - 7) date of control;
  - 8) date and place of issue, as well as the seal and signature of the authorized person.
- In the case of a group production, when the company has subcontracts with other producers, the authorized control body issues a certificate with the names of all producers that company has subcontracted. The certified company is the certificate holder and is the only to sell organic products as such.

The authorized control body publishes the data on the issued certificates on its website.

### 3.3.2. Certification of organic products for export

During the export of organic products, producer must have a valid and recognized certificate in the country of export. Usually control and certification is in accordance with the EU regulations. Some authorized control bodies certify against NOP regulations (for the USA market), BIOSUISSE (for the Swiss market), KRAV standard, etc.

In order to provide a certificate for export of organic products in accordance with the EU regulations, authorized Serbian control bodies have organized their business in various ways. European Commission in accordance with the Article 33 of Council Regulation (EC) no. 834/2007 and the Article 10 of the Commission Regulation (EC) no. 1235/2008 recognizes control bodies responsible for carrying out control and certification activities in the third countries. The list of control bodies and control bodies operating in the third countries publishes European Commission, and can be found at the following link: [https://ec.europa.eu/agriculture/ofis\\_public/rCBE/ctrl\\_rcbe.cfm?targetUrl=home&lang=en](https://ec.europa.eu/agriculture/ofis_public/rCBE/ctrl_rcbe.cfm?targetUrl=home&lang=en)

Since June 21, 2013 on this list is one Serbian control body, Organic Control System Ltd (OCS) from Subotica, and is authorized to certify unprocessed products of plant origin and processed agricultural products used as food. The OCS code assigned by the European Commission for Serbia is RS-BIO-162. OCS is also authorized to operate in Montenegro, Bosnia and Herzegovina and Northern Macedonia. As of June 15, 2020, another national control body Ecovivendi Ltd from Belgrade is authorized by the European Commission to certify the same category of products. Their code is RS-BIO-183.

Along with the EU certification, Organic Control System can perform control and certification according to the Bio Suisse standard and KRAV-extra requirements as from 07/08/2014.

Ecocert Balkan Ltd is a branch of Ecocert from France. The branch in Serbia is an integral part of the ECOCERT group. Control of organic production for export does the branch office in Belgrade, while the certificate for organic products issues the main office of this organization in France. This control body certifies in accordance with the NOP standard – for the USA market, JAS - Japanese Organic Regulation for the Japanese market, as well as with the Bio Suisse standard, and South Korea and Brazil's national standards.

TMS Ltd Belgrade is a regional partner of TÜV SÜD for Central and Eastern Europe and certifies operators in accordance with the EU regulations in cooperation with Control Union Certifications from the Netherlands.

### 3.3.3. Rules for exporters of organic products

Article 32 of the Law on Organic Production stipulates that organic products can be exported only with a valid certificate from an authorized control body. In ac-

cordance with the same article, the exporter is obliged to enter in the appropriate box of the Common Administrative Document that it is an organic product and the number of the certificate that accompanies the customs document.

During export of certified organic products in section number 31 of the Common Administrative Document (Packaging and type of goods, marks and numbers - container - number and type) is necessary to enter that organic product is exported, and in section 44 of the Common Administrative Document (Additional information/Documents submitted/ Certificates and approvals) the number of certificates which is attached to the customs declaration, i.e. code U81 i.e. Organic product certificate issued by an authorized control body.

Since 2012 Customs Administration's information system collects data on the export of organic products. This system gives an insight in the type, quantity and value of exported organic products from the Republic of Serbia.

A producer who plans to export his organic products besides valid certificate for export needs to be certified also according to the national standard.

In August 2013, the MAFWM issued Instructions with the conditions for the production, control and certification of organic products exported to the European Union market in accordance with Article 11 of Commission Regulation (EC) no. 1235/2008.

### 3.3.4. Rules for importers of organic products

The importer shall, without a delay, notify the authorized control body of each consignment of organic products imported into the Republic of Serbia and submit the necessary documentation.

For certified organic products that are imported, the authorized control body upon control of documentation and certificate issued by the competent authority in the product's country of origin issues a certificate that the product is produced in accordance with this Law on Organic Production ("Official Gazette" No. 30/10, 17/19-others law) and regulations related to the Law.

In the procedure of recertification, the importer is obliged to submit to the authorized control body in Serbia all the necessary documentation to prove that the product was produced according to the appropriate law and regulations, and that the certificate of the product is issued by the body in the country of origin.

In the process of recertification, importer submits to the authorized control body following:

- 1) an application for import of organic products;
- 2) a copy of the certificate for imported organic products;
- 3) a copy of the invoice for the imported organic products;
- 4) a copy of the certified Common Administrative Document for imported organic products, issued in accordance with the law governing the customs procedure.

At the request of the authorized control body, data on transport from the exporter

to the first consignee are also submitted.

The importer and the first consignee of imported organic products keep separate stock data and keep separate financial documentation, unless they work within same unit.

A validity of the issued certificate for imported goods is the same as the expiration date.

## 3.4. Organic products' labeling

Organic non-processed and processed products available on the market of the Republic of Serbia are labeled as "ORGANIC PRODUCT", with the national logo and a code of the control body.

If non-processed organic product consists of several ingredients, it can be labeled as organic only if all ingredients are of organic origin.

Processed certified organic product may be labeled with label "ORGANIC PRODUCT", national logo or logo/code of the authorized control body certifying product, if it contains at least 95% of agricultural ingredients that have been produced according to the law governing the organic production.

Figure 13: Serbian national logo for organic products



Label „IN-CONVERSION PRODUCT” and code/logo of the authorized control body may be used to label plant in-conversion products which contain exclusively one ingredient of agricultural origin, one year after the contract/agreement with the authorized control body has been concluded, in accordance with the law governing the organic production.

Figure 14: Serbian national logo for products in conversion



Advertising material and appropriate material and labels are marked according to the law.

Certified organic products as well as their advertising materials and labels can be marked with different terms signaling the origin of organic products (ecological, biological, organic, or eco, bio, org, etc.). Producers' private label or logo of association of producers can be placed on the certified product if it is in accordance with the law governing the organic production.

Logo can be printed or imprinted on the label, i.e. on the pendant or on the front of the individual or collective packaging of organic product, advertising material, accompanying documentation, i.e. and should be legible, visible and indelible.

Animals and products of animal origin in the conversion period shall not be marked with labels related to organic products, or with a national sign.

In case processed products contain less than 95% of ingredients of certified organic agricultural origin, in the list of ingredients will be indicated ingredients of organic origin, as well as the share of organic ingredients in the total percentage of the agricultural ingredients, using the same size and color of font as for other ingredients. The list of ingredients of organic origin may contain the label: "ORGANIC PRODUCT" and terms or abbreviations that indicate organic product (ecological, biological, organic, or eco, bio, organic, etc.).

If the main ingredient come from the fishery or hunting, although it may contain less than 95% ingredients of organic agricultural origin, in the list of that product are mentioned all organic ingredients, and near the name of the product can be put terms or abbreviations suggesting organic origin.

### 3.5. Organic products' trade conditions

When placing organic products on the market, the producer must have a valid certificate issued by an authorized control body, or a certificate if it is an import.

Organic products can be sold together with products from conventional production only if they are packaged.

If organic products are sold in bulk, to prevent mixing, organic products should be

kept apart from conventional in a clearly marked place. Certified organic products are sold separately from products from the conversion period, in a way that prevents their mixing.

Producer (legal or natural person, i.e. entrepreneur who produces, processes, puts in domestic or foreign trade organic products in accordance with the law), keeps monthly sale records of organic, keeps track of the date of sale of organic products, type and quantity of sold organic products, as well as data on buyer, except for data on the final consumer in terms of the law governing food safety.





## MARKET OF ORGANIC PRODUCTS

### 4.1. Main characteristics of the domestic organic products' market

In the last five to seven years in Serbia, has been noticed intense development of domestic market, especially of organic products' marketing channels. Good examples are specialized green markets first opened in Belgrade, then in Novi Sad, followed by "organic corners" set up in the retail shops, then online sale, specialized retail shops opened, organic products' stalls set up on some green markets. Big contribution to organic sector give fairs, festivals and other events. Also, in 2017 one of the big retail chains founded a special chain of organic shops in Belgrade, and from the initial three, now there are seven shops. In Belgrade there are a few chains of the specialized shops, where products of the small producers can be found. Direct sale in Serbia is now developing, although it is still not so popular among producers. Organic food and drinks are becoming very popular in Belgrade, some restaurants are offering, although still modest, a menu with organic food.

On the Serbian market dominant are the plant-based organic products, while the animal-based are yet scarce. There is a rather big offer of imported products. On the other hand some retailers and even specialized shops offer their own brand of products.

Retailers nowadays have a more diverse and better organic products' assortment, and their availability is bigger due to greater retail shop network.

Initiative in retail domain have come to a positive consumers' feedback and gradually raise public awareness and popularity of the organic products and organic production, despite the doubt into organic product present in some part of public.

However, despite the positive trends on domestic market, which are most visible in bigger cities such as Belgrade and Novi Sad, market for organic products is still poorly developed. The reasons are numerous among which the most significant are: (1) consumers' lower purchasing power; (2) a very small percentage of the po-

pulation has included organic products as part of their diet habits; (3) insufficient trust of consumers in production methods of organic products; (4) poor consumers' information about organic products, like unfamiliarity with the labeling of the organic products, (5) still poor availability of organic products in retail outlets; (6) low level of public awareness and knowledge about organic products and organic production itself, as well as its numerous positive effects on environmental protection, etc.

Consumers in Serbia, as well as in European countries, are becoming more aware of the importance of the food quality and food which can ensure safety in relation to food risks. This was shown by a research published in 2019 by the European Food Safety Authority (EFSA).

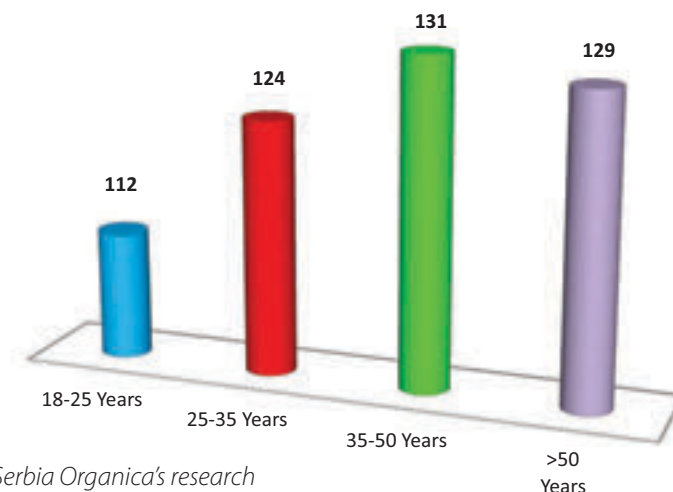
The survey (Food safety in the EU-Special Eurobarometer, 2019, EFSA) was carried out in 28 EU member states, and subsequently in five pre-accession countries: Albania, Montenegro, Serbia, Northern Macedonia and Turkey, in order to get an insight into the Europeans overall interest in food safety, including factors affecting food-related decisions, main information channels on food-related risks, changes in behavior and views on complexity of communication about food-related risks.

The survey has shown that food-related risks are important factors for Serbian population – together with pesticide residues, additives in food, antibiotics, hormones and steroids in meat. According to the survey, Serbians are equally worried about their diet as respondents in the EU, while they are somewhat more worried when it comes to the presence of genetically modified organisms in food or drink.

Aware consumers of organic products in Serbia are primarily parents with babies and young children, persons with some health issues, but more and more informed, educated and interested members of the young population for quality and food origin, showed survey on organic consumers Serbia Organica carried out from September to October 2020. Survey covered all age category, 496 respondents; the most was in the group 35-60 years, and the least in 18-25 category (Figure 15).



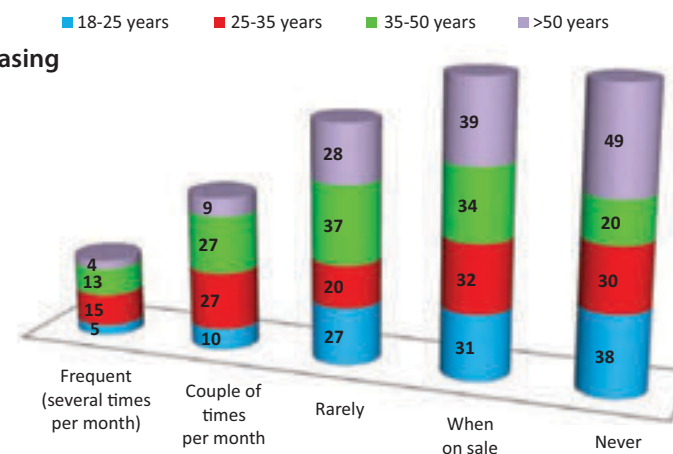
**Figure 15: Age categories of respondents**



Source: Serbia Organica's research

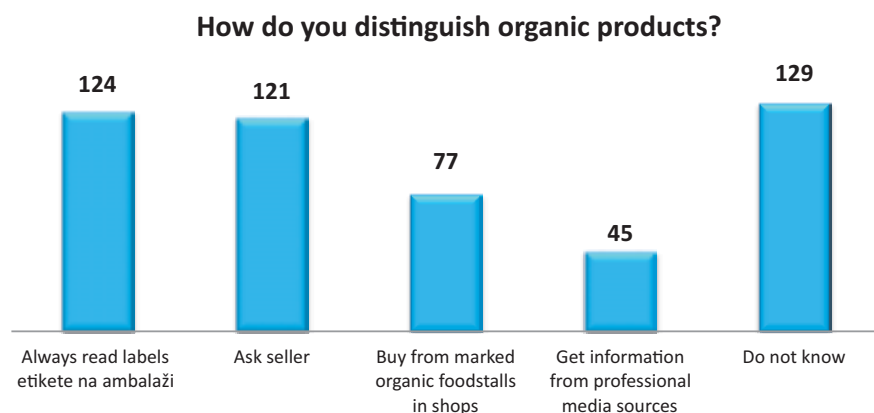
Survey showed that the young persons and the middle aged people mostly buy organic products, while the group above 50 years does not. The youngest group of respondents (18-25 years) is still living with parents who are mainly doing the shopping, and in this group are students; therefore many of them are eating in the students' restaurants. A large number of respondents in all age groups decide to buy organic products when they are on sale.

**Figure 16: Frequency of purchasing organic products**



Source: Serbia Organica's research

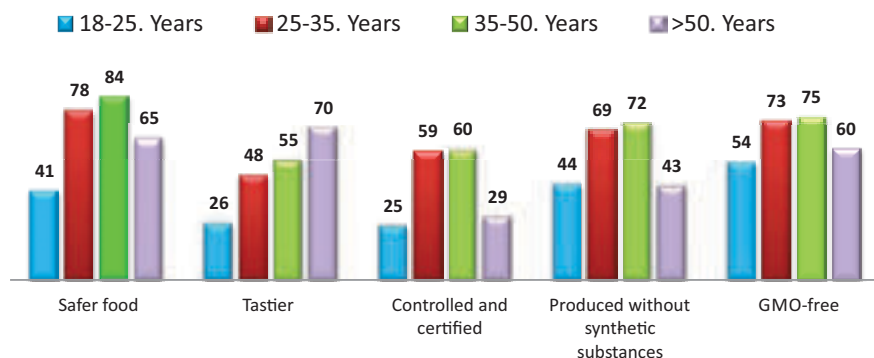
**Figure 17: Visibility of organic products on the market**



Source: Serbia Organica's research

Declarations and labels on the food package and sellers' information are the most important ways of spreading information to consumers about food production and the added value they bring. However, many respondents are not aware or interested for this topic as shown in Figure 17.

**Figure 18: The most important benefits of the organic products according to respondents (multiple answers choice)**



Source: Serbia Organica's research

According to the survey:

- 78% of respondents chose more than three answers.
- 21% of respondents chose two answers.
- 1% of respondents chose one answer.

Food safety is one of the significant benefits among the all age categories, as well as the GMO-free products, as well as forbidden use of the synthetic-chemical substances in the production. Respondents in the category 25-50 years are in some extent more aware of these benefits compared to the youngest and the oldest age group. Then again, control and certification of the organic products is less important for respondents in all the groups. Taste is more important for the oldest population then for the respondents in the youngest age category.

**Figure 19: Constraints for purchase of organic food**



Source: Serbia Organica's research

According to the survey:

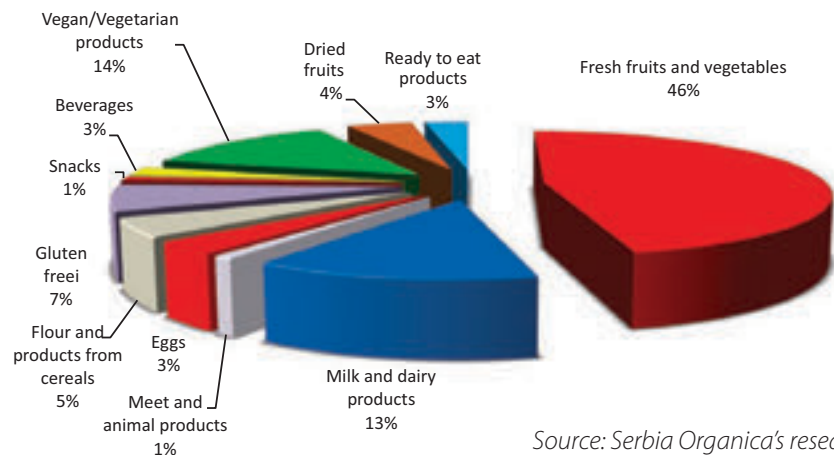
- 88% of respondents chose more than two answers.
- 12% of respondents chose only one answer.

Cost is absolutely an important factor for purchase of organic food, along with their availability in the retail shops. Trust is highly rated as the factor influencing on food preference. Some causes of distrust in the organic food are lack of knowledge on organic production and control and certification system; doubt in the benefits organic food. Respondents would have more trust in the organic food if the chemical analysis would be available (Figure 18).

One of the results of the study carried out by GLZ, Analysis of the organic market and development of the market information system for organic products, is development of the sampling system on the green markets in Belgrade and Novi Sad. According to this study, this system would significantly increase trust of consumers in organic products, along with their increased trade in Serbia.

Fresh fruits and vegetables are in the category of the most consumed food, followed by the vegan/vegetarian products; milk and dairy products. Snacks and meat and animal products are the least consumed, as shown in the Figure 20.

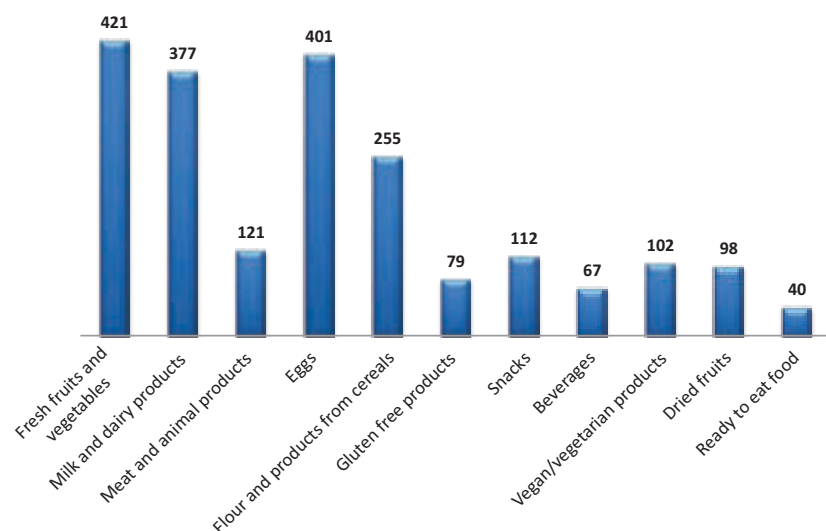
**Figure 20: Top selling organic food**



Among the organic food respondents would consume more if they had a chance are: fruits and vegetables, eggs, milk and dairy products, flour and products made from cereals. Majority (72%) chose more than three food categories, 26% chose more than two food categories, while only 2% chose only one category of organic food (Figure 21).

Survey showed that the products with special characteristics like vegan/vegetarian/gluten-free products are getting very popular.

**Figure 21: The most popular organic food**



Calculating the value of the realized production of organic products, as well as the market value of the organic agricultural products is important for the creators of the agricultural policy in the field of organic agriculture in order to monitor the effects of agricultural policy measures, as well as to set the target values. For agricultural producers, processors and participants on the market, knowledge on parameters about production and turnover is extremely important in determination of the market channels, promotion and production program.

In the study "Analysis of the organic market and development of marketing information system for organic products", published in November 2020 with the financial support of the GIZ PSD program, is presented a methodology for calculating the value of organic products, export values, import values and organic market values, and these values were calculated for all the types of organic products (plant, animal, fresh and processed). Products in the conversion period were not considered.<sup>3</sup> These data are valuable as these parameters have not been monitored in the Republic of Serbia, and are made publically available for the first time.

#### 4.1.1. Value of the organic production<sup>4</sup>

Considering that agriculture is seasonal production with significant price fluctuations during season, the average price and the quantity of primary and processed plant and animal products during certain time periods in 2019 were taken into account to calculate the value of organic production.

The calculation of above parameters, based on the producers' prices in 2019, gave the value of organic value of EUR 37,425,208.<sup>5</sup>

#### 4.1.2. Export

The majority of the organic products are exported. Value of export rate grows every year.

According to the data of the Serbian Customs department for 2019, value of 13,284 t of exported organic products was 29,75 million Euros. Fruits and fruit products make over 28,7 million Euros.

Exported value increased for 2,3 million Euros in comparison to the last year, and for

<sup>3</sup> Prepared from the study: Kovačević, Vlado (2020), Analysis of the organic market and development of market information system for organic products, Ministry of agriculture, forestry and water management

<sup>4</sup> Prepared from the study: Kovačević, Vlado (2020), Analysis of the organic market and development of market information system for organic products, Ministry of agriculture, forestry and water management

<sup>5</sup> Calculated are values of all organic products of plant and animal origin, fresh and processed. Products in conversion were not considered.

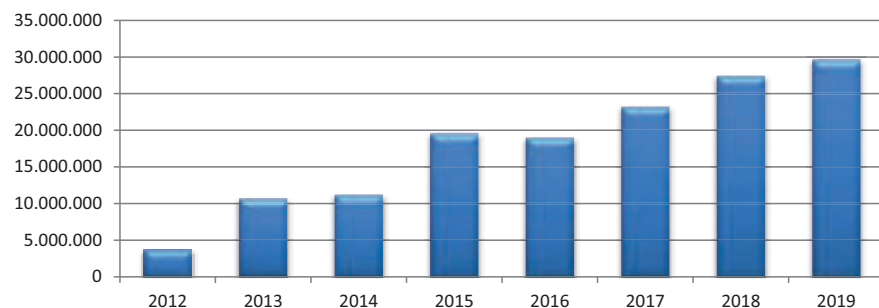
over 11 million Euros value increased in the last 4 years.

**Table 8: Value of exported organic products (2012 - 2019)**

Year	Export value (in mil. EUR)
2012.	3,74
2013.	10,7
2014.	11,2
2015.	19,6
2016.	18,9
2017.	23,1
2018.	27,4
2019.	29,7

Source: Customs Administration

**Figure 22: Export of organic products (2012 - 2019) in mil. EUR**



Source: Customs Administration

Since 2012, export data are part of the information system of the Customs department. This system provides data on type, quantity and value of the exports organic products from Serbia.

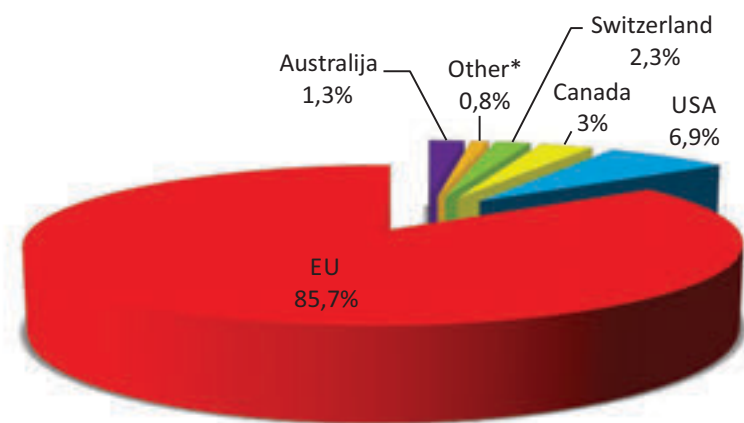
The EU market remained the top exported market of organic products from Serbia (over 80%), Germany is on the first place as the market with the highest export rate, in 2019 one third of the total export value make Germany. After Germany come the Netherlands, Italy, France, Poland and the USA.

**Tabela 9: Value of exported organic products in 2018 and 2019 by countries**

Countries	Export value in 2018 (in million EUR)	Share (%)	Export value in 2019 (in million EUR)	Share (%)
EU	21,94	80	25,45	85,7
USA	1,96	7,2	2,06	6,9
Canada	2,44	8,9	0,89	3
Switzerland	0,49	1,8	0,68	2,3
Australia	0,22	0,8	0,38	1,3
Other	0,35	1,3	0,24	0,8
<b>Total</b>	<b>27,4</b>	<b>100%</b>	<b>29,7</b>	<b>100%</b>

Source: Customs Administration

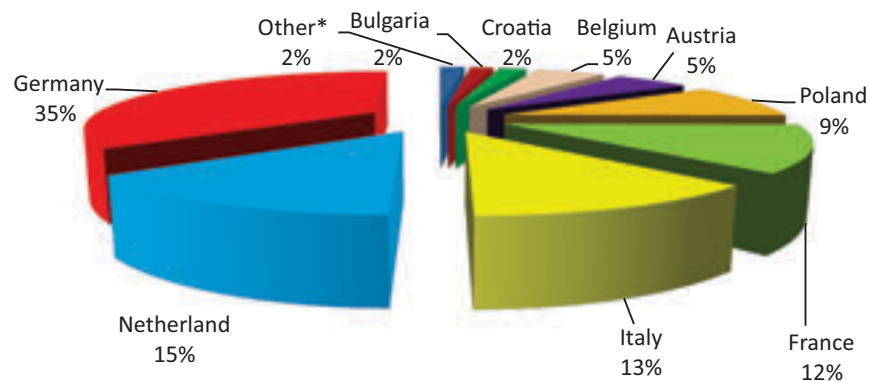
**Figure 23: Breakdown of exported organic products from Serbia, 2019**



\* Belarus, India, Israel, Japan, South Korea, Chile

Source: Customs Administration

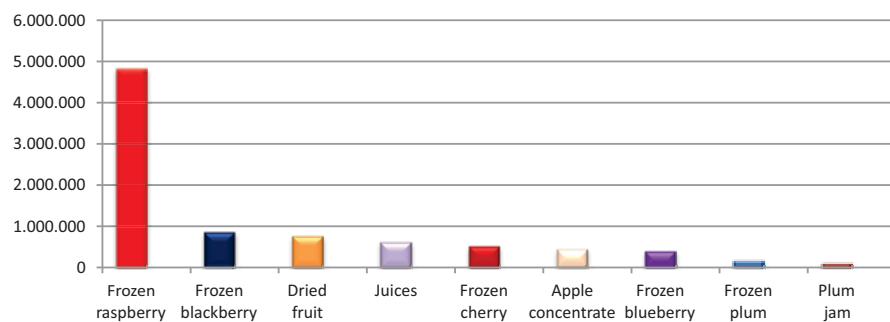
**Figure 24: Breakdown of values of exported organic products by exported country in the EU, 2019**



\* Denmark, Hungary, Slovakia, Slovenia, Czech Republic, Sweden, United Kingdom

Source: Customs Administration

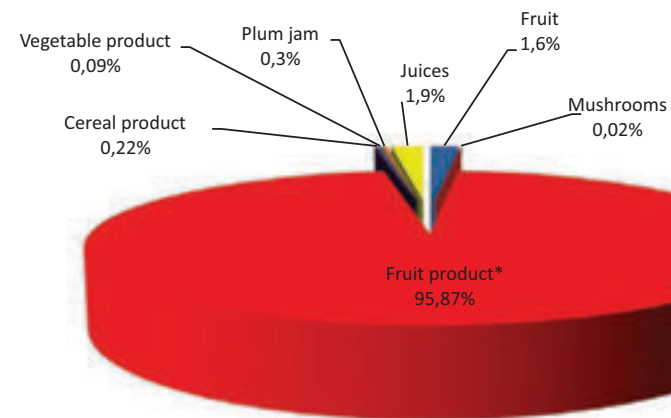
**Figure 25: Breakdown of Serbian exported organic products to Germany, in mil. EUR, 2019**



Source: Customs Administration

In 2019 frozen raspberry was still the top exported product according to the value and the quantity, followed by apple concentrate, frozen blackberry and sour cherry.

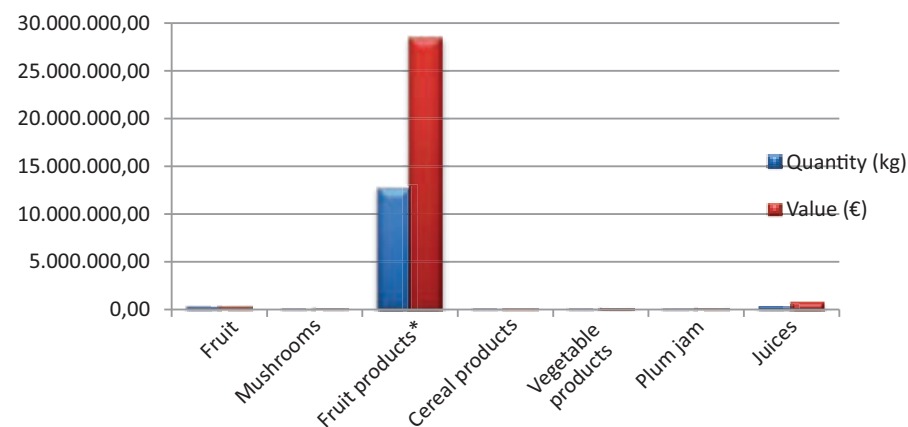
**Figure 26: Breakdown of Serbian exported organic products, quantity, in 2019.**



\* Frozen, dried, concentrates, purees

Source: Customs Administration

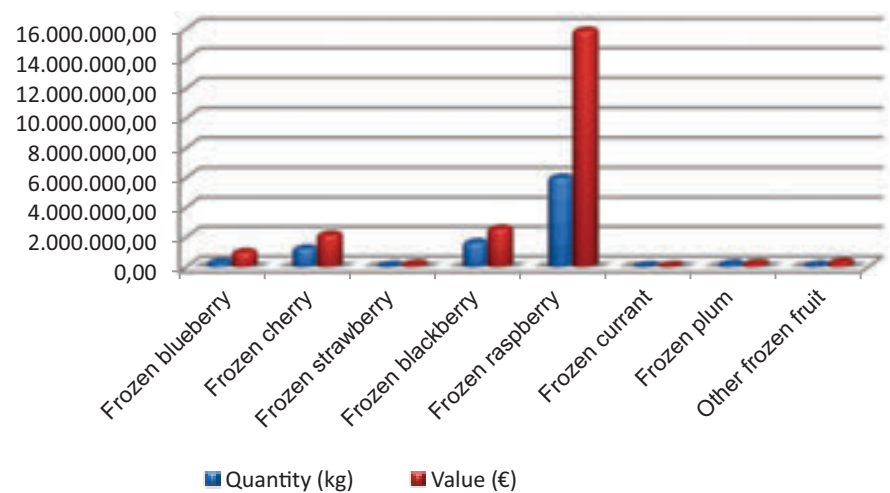
**Figure 27: Breakdown of exports organic products from Serbia –quantity and value, in mil. EUR, in 2019**



\* Frozen, dried, concentrates, purees

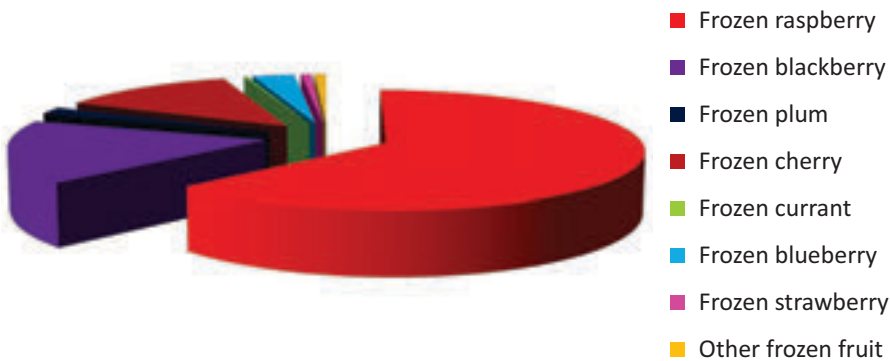
Source: Customs Administration

Figure 28: Breakdown of exported frozen organic fruits from Serbia – quantity and value (in mil. EURO), 2019



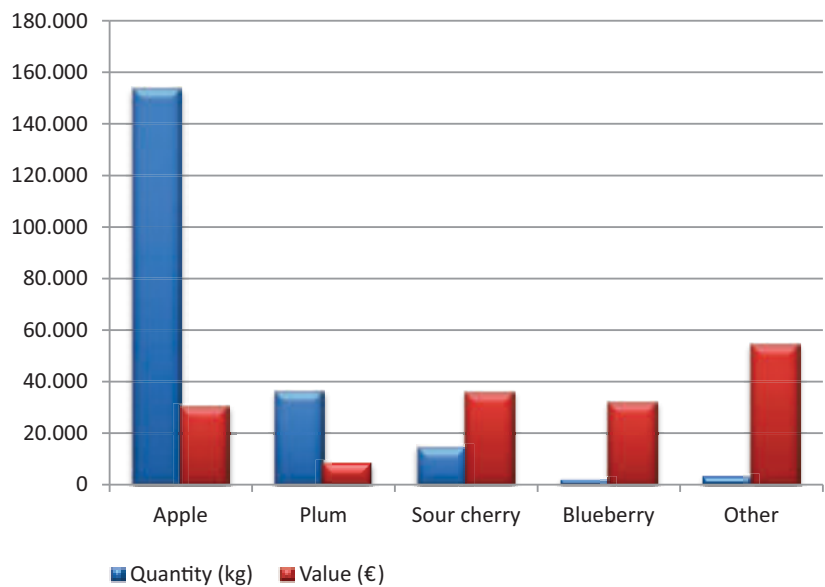
Source: Customs Administration

Figure 29: Breakdown of exported frozen organic fruits from Serbia, quantity, 2019.



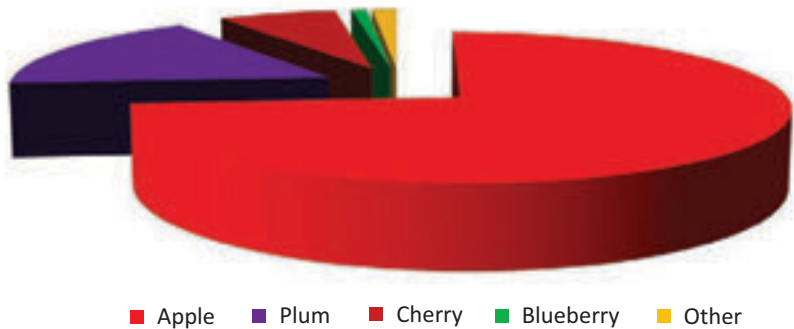
Source: Customs Administration

Figure 30: Breakdown of exported fresh organic fruits from Serbia – quantity and value, in 2019



Source: Customs Administration

Figure 31: Breakdown of exported fresh organic fruits according to quantity, in 2019



Source: Customs Administration

### 4.1.3. Import of organic products<sup>6</sup>

For the calculation of the value of imported organic products were used data of the MAFWM. Importers of organic products are obliged to notify authorized control body in Serbia about every import and to provide all the necessary documentation, like invoice etc.

According to the price of imported organic products and provided data, the value of imports for 2019 was 8,913,370 EUR.

### 4.1.4. Value of organic products' market<sup>7</sup>

The value of the market of organic products is important for the creators of agricultural policy as the tool to monitor the effects of agricultural policy and to establish target values.

For participants in the organic sector, these data gives opportunity to plan sales and production according to the market.

The methodology in the study calculates this parameter for the following years according to a uniform methodology, which will ensure the comparability of this parameter by years.

The total value of the market of the organic products in 2019 in Serbia is calculated based on the total value of organic production in Serbia, the value of imported organic products and the value of exported organic products:

The value of organic market in Serbia  $V_{top}$  is

$$V_{top} = V_{op} + V_{uop} - V_{iop}$$

with  $V_{op}$  value of organic production,  $V_{uop}$  value of imported organic products, and  $V_{iop}$  value of exported organic products.

$$V_{top} = 37.425.208 \text{ EUR} + 8.913.370 \text{ EUR} - 29.713.908 \text{ EUR}$$

$$V_{top} = 16.624.673 \text{ EUR}$$

It means that 16,624,673 Euros of organic products are placed on the domestic market.

<sup>6</sup> Prepared from the study: Kovačević, Vlado (2020), Analysis of the organic market and development of market information system for organic products, Ministry of agriculture, forestry and water management.

<sup>7</sup> Prepared from the study: Kovačević, Vlado (2020), Analysis of the organic market and development of market information system for organic products, Ministry of agriculture, forestry and water management.

### 4.1.5. Value chains

In the organic production sector are recognized five essential types of the value chains:

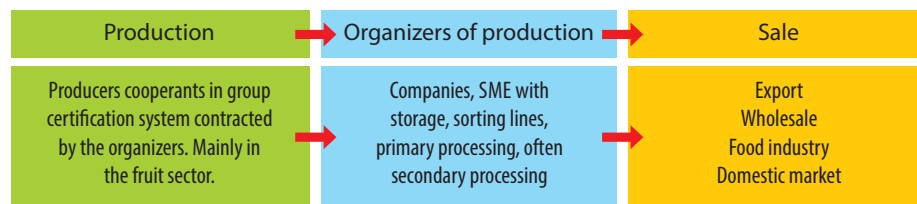
**1. 1. Producers/local market:** a short value chain ends at the local market – organic green markets, on farm sale, retail shops (specialized shops, supermarkets), online sale. Value chain actors are small scale producers, mostly farms, producers of fruit and vegetables.



**2. Producers/intermediary/local market:** a value chain where intermediary/buyer sells on the organic and green markets, retail shops (specialized shops, supermarkets), online shops. Intermediaries can be sole producers when they want to widen their product assortments with products of other producers. Products in this value chain are mostly sold in retail shops, less in wholesale.

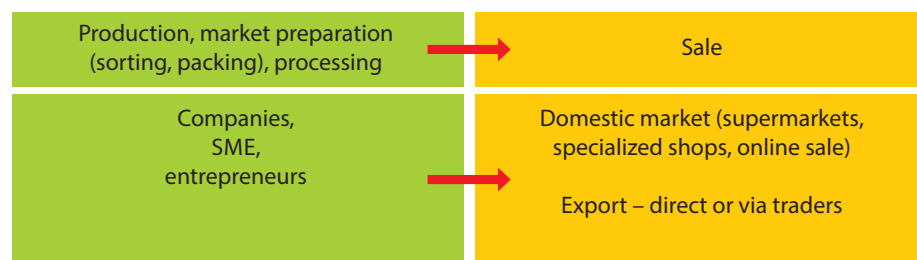


**3. 3. Organizers of the production** are the most important link of the organic production value chain. This type is the most spread in the fruit sector; on the other hand the animal sector is lacking the value chain, except in the beehive production. Organizers of the group production are companies and SME – certificate holders who contracted cooperants and often have their own production as well. This chain is typical for cold stores. Organizers have cold stores, purchase raw material for further processing and sale on the foreign market, directly or rarely via specialized traders. On domestic market these products are rare.



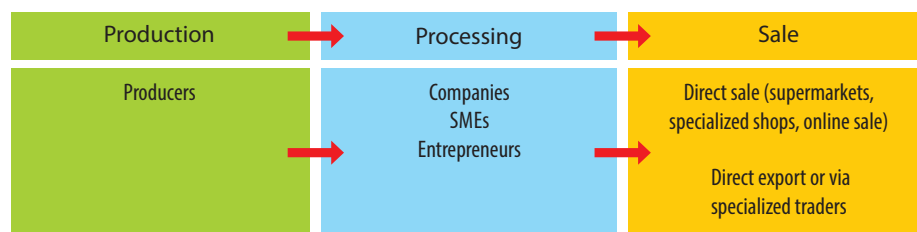
#### 4. Producer/processor export oriented and/or domestic retail sale

Producers in this value chain produce raw material themselves, some portion purchase externally, and rarely contract suppliers, certified as well. And this is the main difference between the production organizers. SME companies and recently entrepreneurs who have vertically integrated production and processing, make this value chain. They sell locally and/or export. This value chain is present in all sectors of the organic production (fruit production, cereals, oilseed, dairy products, etc.). They have developed recognizable brands on the local market.



#### 5. Processors focused on sale on the local market, rarely export

This value chain includes processors, companies, SMEs and entrepreneurs, and is developing constantly. The raw material is usually purchased from domestic producers or imported - when the supply is inadequate (insufficient supply, low quality, high prices, missing standards). Entities in this value chain are food processors and sellers on domestic market, export is rare. They sell under their own brand, recognizable on domestic market.



#### 4.1.6. Organic food market channels<sup>8</sup>

In the period June - November 2020, the analysis of market channels of organic products was done. Analysis was based on the semi-structured questionnaire, when 7 representatives of the retail chains, 4 representatives of the organic shops, 8 sellers on the green markets, 4 on-line sellers and 3 direct sellers were interviewed. The results of the analysis show that the small scale organic producers rarely cooperate. Cooperation and association of organic producers is the way to improve their production, processing and marketing of organic products.

In cooperation, small organic producers have lower costs of group certification, costs of inputs are reduced, sale is significantly improved, have access to the new technologies and knowledge, and can establish processing, packaging, and storage of organic products for group.

The most important general findings related to the current situation in the field of marketing of organic agricultural products in Serbia are:

- 1) As a rule, small producers achieve up to 20% lower price compared to big producers due to low bargaining power.
- 2) Small AHs do not have continuity in production, which also affects lower price, longer collection deadlines and increased collection risk.
- 3) Narrow product assortment, which results in a lower realized price and less favorable other sales conditions.
- 4) Small AHs have high costs of delivery of agricultural products due to the delivery of small quantities. As a rule, this is one of the main shortcomings of the marketing of organic products in Serbia.
- 5) High product "returns" losses. If the product is not sold in a certain period, retail chains and specialized shops "return" them to seller. Small producers have increased costs due to "returns" due to: a) a weaker negotiating position and a higher value of "returns" compared to big producers and b) small producers who generally do not have organized processing, returned products can not process.
- 6) It is extremely important to enable small organic producers to process organic products on their farms. The Rulebook on the production and trade of small quantities of food of plant origin, the area for performing these activities, as well as the exclusion, adjustment or deviation from the requirements of food hygiene ("Official Gazette" RS, No. 13/20 of 14 February 2020) gives an opportunity to the agricultural holdings to register for processing under simplified conditions. An obstacle in the realization of the mentioned benefits is the obligation to register in the Central Register of Facilities kept in the MAFWM, which only legal entities and entrepreneurs can, but not AH.

<sup>8</sup> Prepared from the study: Kovačević, Vlado (2020), Analysis of the organic market and development of market information system for organic products, Ministry of agriculture, forestry and water management.

The most important market channels of organic products in Serbia are:

1. Retail retail chains;
2. Specialized stores,
3. On-line sale,
4. Sales through direct marketing;
5. Green markets.

According to the results of the research, the most significant factors for marketing of organic agricultural products, based on which each market channel was analyzed are: (1) the minimum quantities of products necessary for entering the market channel; (2) product price, payment terms, required continuity of delivery; (3) labeling and packaging requirements; (4) delivery of products and (5) return of products not sold within the specified period.

#### 4.1.6. 1. Retail chain

The highest value of the organic products' turnover in retail chains is realized mainly through intermediaries, and big organic producers, while the group certification organizer is only in one case registered as a supplier of a retail chain. This market channel is not available to majority of the small organic producers in Serbia.

In the world and in Serbia, there is a trend of so called "trade revolution", which primarily implies an increased share of turnover in retail chains. Due to the increase in turnover of organic products in retail chains, organic producers must acquire the necessary knowledge and adjust their offer to their requirements. The advantage of selling in retail chains is the large quantities of organic products that can be marketed through this channel. For big organic producers, this is the most important market channel since all their production can be placed here.

On the other hand, in this market channel are the lowest prices. Depending on the type of product, the prices are on average 10 - 40% lower in relation to the prices producers can get on the green markets and via direct sales.

It is difficult for small and non-associated organic producers to place their products through this channel, because they cannot guarantee the quantity and continuity of delivery.

Continuity in delivery is one of the most important conditions for the placement of organic products in this market channel. Although in some occasion small quantities of organic products were purchased, still the producer must have continuity, i.e. possibility of supply for a longer period of time this market channel. Sellers who can provide continuity in sales and a wide assortment have greater bargaining power and, as a rule, can achieve better sales conditions. Cooperation with this market channel is conditioned by the minimum required quantities of organic product. The precise minimum quantities depend on each individual retail chain, the type of product and the current market situation. All analyzed retail chains allow supply of

all retail shops or only some of them. Product delivery is agreed with each supplier. The most common system is that the supplier delivers goods to a single shop or to a central warehouse. If supplier delivers to more than one place, costs of delivery increases, adding additionally financial burden to small producers.

None of the analyzed retail chains has a long-term contract with specified agreed prices and quantities. It is rather a framework agreement on the stated conditions. The most significant advantage is the big quantity of products that can be placed in this channel, while on the other hand it is the most demanding market channel in terms of packaging, continuity of supply, delivery, etc.

In recent years, retail chains have big importance in the marketing of organic products, so the acquisition of knowledge related to this market channel is important, as well as the implementation of activities that will enable entry into retail chains and successful and profitable marketing of organic products.

The basic recommendation for small producers is to work together and increase offer and assortment to be able to enter retail chain. Producers association is a successful practice of the EU producers. Some retail chains have preferential terms for small suppliers in order to attract more suppliers. Although they may initially get good terms of sale, they cannot keep the same terms in the long run unless they increase production or merge with other producers. The effects of the merger depend on the type of product, negotiations with chain representatives and the market situation, but in the association, producers would achieve the following: higher price, which according to analysis can be up to 20% ; shorter collection deadlines; lower collection risk; significantly lower costs of delivery evenly distributed among all producers; lower costs of labeling and packaging; lower marketing costs per unit of product; lower costs of return of goods; etc.

#### 4.1.6.2. Specialized shops

Specialized shops are small retail outlets with a limited range of products. Some of them, although still rare, are specialized in the sale of exclusively organic products, and others offer a certain, smaller or larger share of organic products as part of their assortment. Due to lower requirements in terms of quantity, delivery and packaging, the share of small organic producers is higher in relation to retail chains, but fewer quantities. For small organic producers, these stores represent an important market channel, as slightly higher prices are realized in relation to retail chains and lower in relation to direct sales. On average, depending on the type of product, purchase prices in this market chain are 10-35% lower than the prices producers get at the green markets. The minimum quantities of organic products required to enter this market channel are significantly lower compared to retail chains. This condition significantly favors cooperation with small organic producers.

None of the analyzed specialized stores has practice of long-term contracts with specified agreed prices and quantities. The practice is a framework agreement on

the stated conditions.

Although continuity in sales and a wide range of products is not usually the limiting factor, associated producers who meet both of these conditions can achieve up to 10% higher price.

Product delivery is agreed with each supplier. Commonly, supplier delivers products to every individual point of sale, also in some situations buyer collects goods directly from supplier.

Specialized shops are a traditional place to buy products and it is expected that the share of this market channel will remain unchanged or will have a slight increase in the coming years.

The same types of recommendations can be given as for retail chains. It is crucial to establish an association of small organic producers and joint entry in this market channel. Association of producers would achieve the following effects in the placement of organic products: higher price for the product, even up to 10% compared to a small supplier; shorter collection times; lower collection risk; significantly lower delivery costs (distributed among members); lower costs of labeling and packaging, lower costs of returning goods; the possibility of concluding long-term contracts; etc.

#### **4.1.6.3. On-line sale**

On-line sales of organic products are significantly developed in Serbia. The organizers of this market are most often specialized shops. A smaller volume of turnover through internet sales gets producers, who, as a rule, additionally buy products from other producers and, together with their organic products, place products via Internet.

Significant quantities of organic products can be marketed through online sales. Large and associated producers can market their products through this market channel, while small producers can also use this market channel through the sale of organic products to existing market organizers.

Since on-line sale can be started with rather small costs, its benefit is that it can be an additional sales channel, which is most often the case in Serbian practice.

The price of the product in this market channel is up to 40% higher if producers organize sale themselves. If a producer has to deliver products to the organizer of the on-line sale, then sale prices are at the level of prices to successful stores.

Marketing costs include setting and maintaining Internet portals, as well as organizing orders, customer contacts and other related things. Marketing costs are actually low and can be available to farmers' associations.

Delivery of the product in case of sale to the organizer of the online sale is in one central place or often the organizer collects products. If producer has its own online sale; delivery to each customer is the most significant obstacle for small producers. Usually small organic producers deliver products purchased via online sale when

they come to the green market.

Online sales of the joined producers are an advantage here as well.

Associated farmers share the fixed costs of setting and maintaining an internet portal, managing the market channel, etc. Through producers association, the range and continuity in sales during the year is expanded, which is extremely important for successful placement through this market channel.

Product delivery costs are the most significant obstacle and can be significantly reduced when association sell jointly. Delivery costs can also be reduced by delivering the organic product to one place from where the customer picks up the product.

#### **4.1.6.4. Sale via direct marketing**

Sales through direct marketing are an innovative model of sale of organic products. Direct sale represents a sale of products and services directly to customers in person. It usually happens outside of retail outlets, in producers' homes, at their working space, in restaurants or in some other locations. Sellers promote their products through direct marketing.

Direct marketing is one of the promotion tools most often used in direct sales. There are two main specificities of direct marketing: 1. direct communication with customers, 2. direct marketing creates a "call for action".

Direct marketing is a targeted form of marketing that presents information to a consumer that has been identified as a buyer.

Buyers can be identified in various ways. Significant results in Serbia were achieved by purchasing contacts from Facebook and Instagram.

Small and medium farms/companies with a limited budget for promotion and without a brand and recognizable message mostly use direct marketing. Lack of skills and knowledge prevents small scale producers to use direct marketing more efficiently. In Serbia this model is not widely spread still.

In addition to all the above advantages of the direct marketing, the most important is the communication with targeted customers, where seller earns consumers' confidence, improves inventory management, plans future production better, etc.

Direct sale is one of the few sales channels that allow smaller organic producers to organize sales independently. In this sales channel, as in all the previous ones, the recommendation is that organic agricultural producers jointly organize sales and promotion through direct marketing. The advantages of the association of producers are the costs of direct marketing, which in that case are lower, lower costs of product distribution, wide range of goods and continuity of delivery, etc. A special recommendation for agricultural policy makers and other institutions involved in organic agriculture would be to educate organic producers on use of direct marketing.

#### 4.1.6.5. Green markets

Green markets are traditional sales places of agricultural products in Serbia.

Although big volumes of organic products are sold through the retail chains, green markets will remain important distribution channel for years to come.

In Serbia there are two organic green markets with a significant volume of traffic. The first one, opened since 2011, is the organic market at the "Block 44" Belgrade, with around 25 stalls for organic products. The second market is "Fish Market - Novi Sad" with about 15 stalls for organic products.

The downside of the green markets are the small quantities that can be sold through this channel and proportion of time invested for sale. According to the respondents, the amount of fruits and vegetables that can be sold on Saturdays, a day with the highest turnover, is only about 150 kg. In the previous years, the turnover was about 400-500 kg on the same day. According to sellers, this decline happened due to more sellers on the market, but also due to increased number of shops and on-line sale offering organic products.

The highest prices are just on the green markets, even up to 40% higher compared to the prices in retail. On the other hand, the majority of production producers sell over distributor/shops, and despite lower prices, are satisfied with this market channel since they have increased production so they cannot use green markets as the main sales channel, also there is no waste of time for sale, etc.

Packaging and labeling of products on green markets is the least demanding, in most cases the products are sold in bulk unpackaged.

Still, the absence of packaging and labeling of organic products is the main reason for lack of confidence among consumers. Unfortunately, it is not possible to monitor and control the product efficiently on the food stalls. Some non-conscious producer could use this deficiency and sell conventional product as organic. Setting up a system for sampling and control of pesticide residues on the markets would significantly affect increase of consumer confidence in organic products.

Seller transports products to green markets. Some of sellers combine deliveries for the online customers and sale on the green market, reducing in such a way, transportation costs.

Green markets are a market channel that allows small organic producers to sell directly on their own.

In order to improve the sale on the green markets, recommendation is the same for all the small producers, as a group they could reduce costs and time invested in the sale, products' assortment would expand as well as the quantity and continuity, leading to growth of sale rapidly according to respondents.

The second recommendation concerns costs of transportation, as producers can make delivery of the purchase ordered online on days when they sell on the green market.

#### 4.1.7. Overview of the prices of organic products

Serbia Organica carried out a survey in the period from August 31 to September 6, 2020 on prices of organic products (plant, animal and processed) on the green markets, in the retail shops of distributors: retail chains, specialized shops.

The research covered a large number of organic products, however, the uneven products' assortment in this period in the researched sales' locations, made the analysis difficult.

On the green markets a comparative analysis of the retail prices of fresh organic products were compared with the prices of conventional fresh products obtained from the Agricultural Market Information System of Serbia (AMISS), the Ministry of Agriculture, Forestry and Water Management. Analysis showed that there is a big difference between organic and conventional prices of the fresh vegetables and fruits. In the other two market channels (retail chains, specialized shops), it was not possible to adequately compare prices, but in the table below is given an overview of the average retail prices of organic products (Table 10).



Table 10: Overview of organic plant based products' average prices in three market channels \*

Product	Quantity	Average price of conventional products on the green markets (RSD)	Average price of organic products on the green markets (RSD)	Price difference (organic/conventional)	Quantity	Average price in specialized shops (RSD)	Average price in retail chains (RSD)
Lettuce	bunch	60	120	100%			
Spinach		60			200 gr	200	
Rocket	kg	999	2000	100%	90 gr	200	200
Chard	bunch	40	22	309%	bunch	96	90
Cabbage	kg	50	370	640%	kg	300	370
Kale	kg	150			kg	300	
Cauliflower	kg	150			kg	775	
Frozen broccoli					350 gr		209
Tomato	kg	100	300	200%	kg	240	323
Tomato					500 gr	225	250
Cherry tomato	500 gr	200			500 gr		110
Cherry tomato	250 gr	100		600%	250 gr	220	190
Eggplant	kg	100	700		kg	450	700
Cucumber	kg	100	200	100%	kg	400	550
Pepper	kg	120	300	150%	kg	470	750
Potato	kg	80	200	150%	kg	290	340
Beetroot	kg	100	200	150%	kg	225	220
Beetroot					500 gr	146	170
Zucchini	kg	60	300	400%	kg	315	300
Carrot	kg	100	200	100%	kg	350	390
Carrot	500 gr	50	100	100%	500 gr	250	140
Garlic	kg	400	1600	300%	150 gr	290	260
Onion	kg	50	300	500%	500 gr	295	330
Red onion	kg	50	300	500%	kg		450
Leek	pcs	25	60	140%	pcs	70	
Parsley leaves	bunch	30	60	100%	bunch	80	60
Celery leaves					bunch	270	200
Dill	bunch	40	100	150%	bunch		

Product	Quantity	Conventional products on the green markets (RSD)	Organic products on the green markets (RSD)	Price difference (organic/conventional)	Quantity	Average price in specialized shops (RSD)	Average price in retail chains (RSD)
Beans	500 gr	175	350	100%	500 gr	378	363
French beans	kg	200	400	100%			
Pea					330 gr	380	
Frozen pea					350 gr		249
Green lentil					500 gr	345	340
Apple	kg	80	250	213%	kg	800	800
Pear	kg	150	300	100%	kg	790	650
Grape	kg	100			kg	600	
Frozen strawberry					250 gr	225	
Frozen wild strawberry					250 gr	600	
Frozen wild blueberry					250 gr	327	300
Frozen raspberry					250 gr	220	
Raspberry	kg	350	1000	186%	125 gr		220
Wild blackberry					250 gr	266	
Lemon	kg	180			kg	843	800
Orange					kg	500	620
Kiwi					kg	600	700
Avocado					kg	1740	1800
Peach	kg	100	250	150%	kg		600
Watermelon	kg	50	100	100%			
Plum	kg	50	200	300%	kg		400
Melon	kg	100			kg		850
Fig	kg	200	400	100%			
Banana					kg		850
Hazelnut					100 gr	350	295
Almond					200 gr		600

Source: Prices of organic vegetables and fruits – Serbia Organica's survey; prices of conventional products - Agricultural Market Information System of Serbia (AMISS), Ministry of Agriculture, Forestry and Water Management

\* Prices collected in the period from 31/08 – 06/09/2020. The prices of organic products were collected in 5 specialized shops, 5 retail chains and on organic green market in Belgrade

Exchange rate 1 EUR= 117,58 RSD

Table 11: Overview of organic animal-based products' average prices in three market channels \*

Product	Quantity	Average price of the organic products on the green markets (RSD)	Average price in specialized shops (RSD)	Average price in retail chains (RSD)
Egg	10 pcs	350	387	
Egg	6 pcs		230	
Egg	4 pcs		160	
Beef-round steak	500 gr		825	
Beef-round steak	kg		1660	
Beef –chuck steak	500 gr		825	
Beef –chuck steak	kg		1560	
Beef -brisket	kg		1660	
Beef - ribs	kg		1550	
Chicken meat	kg		845	
Black locust honey	450 gr	1000	1090	990
Black locust honey	250 gr		690	648
Meadow honey	450 gr	1000	1050	1025
Flower honey	500 gr			849
Linden honey	250 gr			479
Fresh milk	l		167	153
Yogurt	750 ml		159	136
Sour cream	150 ml		71	66
Buttermilk	150 ml		40	35
Feta cheese	200 gr		559	550
Ghee (clarified butter)	150 gr		530	

Source: Prices of organic animal-based products – Serbia Organica's survey.

\* Prices collected in period from 31/08 – 06/09/2020 the prices of organic products were collected in 5 specialized shops, 5 retail chains and on the organic green market in Belgrade

Table 12: Overview of organic processed products' average prices in three market channels \*

Naziv proizvoda	Quantity	Average price of organic products on the green markets (RSD)	Average price in specialized shops (RSD)	Average price in retail chains (RSD)
Raspberry jam	400 gr		438	425
Strawberry jam	400 gr	1500		
Apricot jam	400 gr	800		
Plum jam	400 gr	700	335	305
Blackberry jam	400 gr		335	360
Rose hip jam	400 gr		518	415
Plum and apricot jam	314 gr			470
Sour cherry jam	400 gr		438	299
Apricot spread	240 gr			350
Cornelian cherry spread	200 gr		305	
Forest fruit spread	340 gr			369
Raspberry spread	340 gr			399
Strawberry spread	340 gr			359
Pasteurized beetroot	450 gr			129
Apple and carrot juice	250 ml		140	135
Apple juice	250 ml		160	135
Beetroot juice	250 ml		170	158
Apple juice	l	300	199	160
Sour cherry juice	l	300		
Apricot and apple juice	l	300		
Apple, blackberry, currant and grape juice	l			250
Apple, black currant, grape and pomegranate juice	l		279	250
Cranberry juice	500 ml		890	

Chokeberry juice	500 ml		780	790
Soy beverage	l		288	259
Rice beverage	l			268
Almond beverage	l			368
Powdered chokeberry	150 gr			427
Dried apple slices	40 gr		200	197
Dried pear slices	40 gr		220	225
Dried fruit rolls	8 gr		79	70
Dried apple, plum and pear	150 gr	250		
Carrot crisps	20 gr		170	167
Beetroot crisps	20 gr		170	167
Smoked tofu	200 gr			199
Tofu	200 gr			179
Spelt tagliatelle	250 gr		140	138
Buckwheat tagliatelle	250 gr		193	189
Spelt macaroni	250 gr		180	168
Wheat penne	500 gr			228
Whole wheat spaghetti	500 gr			228
5-grain baby food	200 gr			357
Oat cereal	200 gr			343
Rice and corn cereal with banana	200 gr			359
Apple and banana baby food	190 gr		245	240
Veal and vegetables baby food	190 gr		230	245
Apple and pear vegetable baby food	120 gr		180	
Broccoli and potato baby food	120 gr		165	
Chocolate cereal	200 gr		295	238
Cold pressed sunflower oil	l		388	

Cold pressed sunflower oil	500 ml		350	328
Virgin pumpkin oil	250 ml		1110	
Pomegranate oil	30 ml		580	
Olive oil	500 ml		880	1250
Peanut butter	227 gr		860	450
Hazelnut spread	400 gr			799
Popcorn	60 gr		99	97
Dried boletus mushrooms	30 gr		478	339
Pasteurized boletus mushrooms	180 gr			339
Dried chanterelle mushrooms	30 gr		470	339
Dehydrated mushrooms	40 gr			538
Mix of mushrooms and 5 kinds of vegetables	40 gr		568	538
Apple balsamic vinegar	250 ml		225	242
Raspberry and blueberry balsamic vinegar	250 ml		280	268
Pomegranate balsamic vinegar	250 ml		295	292
Red wine	750 ml		1350	
White wine	750 ml		1500	
Rosé wine	750 ml		1350	
Blackberry wine	l	800		
Wheat flour type 500	kg	160	140	
Whole buckwheat flour	500 gr		270	260
Corn flour	kg	160		160
Corn flour	500 gr		183	160
Whole rye flour	kg		165	165
Whole oat flour	kg		195	
Whole barley flour	kg		168	185
Whole wheat flour	kg		140	160

Spelt flour type 1100	500 gr		155	168
Whole spelt flour	500 gr			168
Spelt bran	250 gr		180	178
Rye bran	250 gr		180	139
Oat flakes	500 gr		310	179
Corn flakes	300 gr			310
Kernel	500 gr		295	286
Sweet corn	340 gr			160
Millet	500 gr		285	290
Buckwheat	500 gr		300	310
Instant chicken soup	20 gr		98	98
Vegetable soup	20 gr		87	89
Tomato sauce	680 gr		285	250
Mayonnaise	315 gr		515	
Mixed spices	150 gr		198	185
Dried basil	15 gr		300	
Chamomile tea	35 gr			169
Chamomile tea with vanilla	40 gr		340	
Oregano tea	50 gr		505	
Mountain tea	35 gr			219
Mint and chamomile tea	20 gr			150
Instant coffee	100 gr		920	990
Coffee beans	500 gr			679

Source: Prices of organic processed products – Serbia Organica's survey.

\* Prices collected in period from 31/08 – 06/09/2020 the prices of organic products were collected in 5 specialized shops, 5 retail chains and on the organic green market in Belgrade. Survey on retail prices of organic processed products showed organic processed products are also sold on the market, not just in the retail, but in a very modest range (Table 12). In the retail market of organic processed products, there is a significant, diverse offer, but also a large range of organic imported products.  
Exchange rate 1 EUR= 117,58 RSD

#### 4.1.8. Development of model for market reporting for organic products within AMISS (Agricultural Market Information System of Serbia)<sup>9</sup>

All countries with developed markets for agricultural products monitor and make prices publicly available as well as other market information related to agricultural products. Ministries in charge of agriculture and/or statistical office, usually organize the Marketing Information System in Agriculture (MIS). Here is important that the marketing data are collected by the impartial public institution, which is not included in trade.

In the Republic of Serbia, since 2003 MAFWM developed the Agricultural Market Information System of Serbia (AMISS) in the form of the Internet platform. Analysis showed that the prices of organic products can be included in AMISS reports.

AMISS is based on collection of prices from 18 green markets, 5 wholesale open markets, livestock markets, agricultural pharmacies, from a number of slaughterhouses and dairies.

Two groups of reports exist:

- 🌱 National reports, in which only the prevailing price can be seen;
- 🌱 Detailed reports, which contain prevailing, minimum and maximum price of the product;
- 🌱 Besides price reports, bulletins are published for fruits and vegetables, livestock, cereals and animal feed, which analyze in detail the market situation in these areas on a monthly basis.

##### 4.1.8.1. Sources of information, types of reports and reporting intervals for organic products

The sources of reference prices for organic products in the first phase would be green markets. The basic condition for reporting on organic products from one market is sufficient quantity of products offered on the market. According to research, in the first phase, reporting would concern only the green market "Block 44" in Belgrade and the green market "Fish Market" Novi Sad.

<sup>9</sup> Prepared from the study: Kovačević, Vlado (2020), Analysis of the organic market and development of market information system for organic products, Ministry of agriculture, forestry and water management.

## Suggested report types for organic products

In the first phase the following types of report would be developed:

- 1) Detailed weekly reports containing three types of prices (minimum, prevailing and maximum);
- 2) National weekly reports (contain only prevailing prices);
- 3) Monthly bulletins giving an overview of the organic products market.

After the first phase, in which the prices of fresh organic fruits and vegetables would be elaborated, organic animal products would be part of reporting in the second phase.

## Methodology of collection and data manipulation

For each price report, it is necessary to establish a clear methodology for data collection and manipulation in order to ensure comparability of data in different periods. A special goal in setting the methodology of collecting prices of organic products is to harmonize it with already existing methodology of collecting market information for conventional agricultural products. The importance of harmonizing these two methodologies is in the comparability of data for organic and conventional products.

## Importance of reporting on the prices of organic products

Development of a marketing information system for organic products within AMIS platform will have a significant effect on the improvement of organic agriculture in Serbia. The most significant effects are:

- 1) Important for the creators of the agricultural policy in the field of organic agriculture, is that MIS compares prices of conventional and organic products and based on that policy of subsidizing can be defined more precisely, through the calculation of lost profit in organic production.  
The introduction of price reports for organic products, allows farmers to compare the prices of conventional and organic products and based on this calculations to decide if organic production is profitable or not, to increase production or not, etc.
- 2) On the basis of information on the movement of prices of organic products in previous periods, farmers make a plan for the production and harvesting of organic products.
- 3) Based on the reference prices of organic products in the past period, long-term contracts with defined prices can be made, which is not the practice now.
- 4) Based on information on the fluctuation of prices of organic products on the

local green markets, farmers have the opportunity to sell products on the market under the most favorable conditions; this has a positive macro effect since it rapidly harmonizes prices of organic products in the country. Setting a reference price for organic products is important for the creators of agricultural policy in the field of organic agriculture.

Establishing a reference price for organic products is of great importance for organic farming credit program. Currently, creditors do not have reference sources of prices to determine the value of organic products or the income of organic producers, which is a significant obstacle in financing organic production. Practice has shown that creditors rely heavily on AMISS reference prices for conventional products when financing conventional production, so this practice is also expected in organic agriculture.

- 5) MIS for organic products is important for insurance of the organic agricultural production. In case of damage, the severity of the damage can be calculated based on price reports for organic products.
- 6) MIS for organic products is important for the implementation of public procurement of organic products where impartial reference price is necessary condition for the procurement of organic products.

The report with reference market information for organic products is important for solving legal disputes in the field of organic agriculture. Currently, courts rely on information from AMISS in calculating the value of agricultural products, and it is expected to be carried out, and to make reference prices of organic products publically available what will have a significant positive effect in this segment.





## AGRICULTURE AND RURAL DEVELOPMENT POLICY ON THE ROAD TO THE EUROPEAN UNION <sup>10</sup>

Improvement of the quality of life in rural areas and reduction of poverty, a more equal share in the distribution of income and economic opportunities are important aspects of sustainable development of rural areas that the Republic of Serbia strives for. In that respect, sustainable development of rural areas requires a good coordination of all policies related to rural areas and their resources. Mitigation of problems for those who are leaving the sector of agriculture and promotion of pattern of equity can make a significant contribution to sustainable development. Creating favorable living and working conditions and retention of young people in rural areas, securing more attractive jobs and equal opportunities for their families is one of the main goals of the policy that should ensure a more balanced regional development of the Republic of Serbia.

The long-term strategic direction of agricultural development in the Republic of Serbia is defined by the Strategy of Agriculture and Rural Development of the Republic of Serbia for the period 2014-2024 ("Official Gazette" RS, No. 85/14), which encompasses the vision, strategic goals and directions of agriculture and rural development of the Republic of Serbia in the ten-year period. The future directions of agricultural development in the Republic of Serbia are defined in accordance with the process of alignment of national agricultural and rural development policies with the EU acquis in the field of agriculture and rural development.

The Strategy of Agriculture and Rural Development of the Republic of Serbia for the period 2014-2024 was the basis for the adoption of medium-term development documents in the field of agriculture, namely the National Program for Agriculture

<sup>10</sup> Prepared according to: Ministry of agriculture, forestry and water management, Managing Authority (2020), Annual Implementation Report on IPARD II Program for period 2018 – 2019.

for the period 2018-2020 ("Official Gazette" RS, No. 120/17), and the National Rural Development Program 2018 - 2020 ("Official Gazette" RS, No. 60/18). These programs contain detailed triennial plans and a timetable for the implementation of the measures, as well as the basic activities of adjusting the national agricultural policy to the relevant EU Common Agricultural Policy (CAP) schemes in the pre-accession period.

Budget funds intended for the implementation of agricultural and rural development measures on an annual basis are defined by the Law on the Budget of the Republic of Serbia for one calendar year, within the budget allocated to the MAFWM. Every year the Regulation on Allocation of Subsidies in Agriculture and Rural Development defines the volume of funds, types of subsidies and maximum amounts by type of subsidies for current year.

### **Policy of sustainable management of resources and improvement of the quality of life in rural areas**

Part of rural development policy relates to sustainable management of natural resources and environmental protection, as well as improvement of the quality of life in rural areas and reduction of poverty.

Sustainable management of resources and environmental protection are the basis for ensuring the long-term stability and quality of domestic agricultural production in conditions of increasing risks in the global food market. The specific character of agricultural production is reflected in its high dependence on the volume and quality of limited natural resources. For that reason, necessary response to climate change, protection of agricultural land from permanent change of purpose, reduction of greenhouse gas emissions, protection of biodiversity and typical rural landscapes, rational use of water resources, forests and other natural resources in rural areas require a new support policy design with due respect to the concept of multifunctional agriculture.

## **5.1. National program significant for organic production**

### **Organic production development plan**

In cooperation with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH the Organic Production Development Plan was made, which was subsequently updated by Serbia Organica, with the support of the SENSE program funded by the Swedish International Development Cooperation Agency (SIDA). The

Government of the Republic of Serbia, at the proposal of the MAFWM, adopted the Plan for the Development of Organic Production within the National Rural Development Program for 2018-2020 ("Official Gazette" RS, No. 60/18). This plan describes the state of organic production in the Republic of Serbia, explains the problems in the sector and sets goals and measures for overcoming them. This creates conditions not only for the long-term development of the organic production sector, but also for the development of rural areas in accordance with sustainable production and environmental protection and biodiversity.

In order to achieve the primary goals of the plan, it was necessary to take into account the interests of all stakeholders in organic production, as well as to increase public awareness on importance of organic production and its health benefits and on sustainable use of resources. Representatives of the economy, producers, and associations of organic producers, faculties, as well as Control bodies, distributors, retail traders and others participated in the preparation of this document.

The plan for the development of organic production contains eleven goals:

- Goal 1. Support for organic production as an integral part of the national agricultural policy and the rural development policy.
- Goal 2. Harmonization of the legislative framework for organic production in line with EU legislation.
- Goal 3: Institutional development.
- Goal 4: System of control and certification is operational and harmonized with EU standards.
- Goal 5. An accessible and market-oriented advisory sector.
- Goal 6. Research in the field of organic production and processing is applied on the field.
- Goal 7. Improving organic production through formal education.
- Goal 8: Development of the domestic market of organic products.
- Goal 9. Growth of exports of organic products.
- Goal 10: Setting more favorable conditions for the production and processing of organic products.
- Goal 11. Goal 11: Implementation and monitoring of the realization of goals and measures defined by the plan.

Over 50% of the defined goals in the Plan for development of organic production have been achieved.



With the support of GIZ PSD and in the cooperation with the MAFWM, Serbia Organica will this year start drafting a new Plan for Organic Production.

## 5.2. Negotiations with European Union- Chapter 11<sup>11</sup>

In accordance with the Decision on establishment of the Coordination body for the pre-accession process of the RS to the EU ("Official Gazette" RS, No. 84/13, 86/13, 31/14, 79/14, 92/15, 23/18 and 36/19) MAFWM is the main carrier of negotiations for the three negotiating chapters, as following: Chapter 11 – Agriculture and rural development, Chapter 12 – Food safety, veterinary and phytosanitary policy and Chapter 13 – Fisheries. Besides that, the representatives of MAFWM take part in the work of 18 more negotiating chapters.

The first Intergovernmental Conference between the Republic of Serbia and the European Union held on 21 January, 2014 in Brussels formally opened negotiations on the Republic of Serbia accession to the European Union. After the negotiation process was initiated, the process of analytical examination of legislative screening process (screening) started in order to check and evaluate the alignment of the Republic of Serbia legislation with the European Union acquis.

The European Commission has submitted the Screening report for the Chapter 11 which was presented on 27 February, 2015 on the Committee for European Union Council enlargement. After the Council adopted the Report, on 17 June 2015 the chairman of the Committee of Permanent Representatives (COREPER II) addressed a letter on behalf of the European Union Member States informing that the Republic of Serbia is not ready to initiate the negotiating process in Chapter 11 and that is necessary to fulfill two benchmarks in order to open the negotiating process. The opening benchmarks for Chapter 11 were:

-  That the Republic of Serbia ought to present an Action Plan to the European Commission, which will serve as a basis for the transposition, implementation and enforcement of the European Union acquis in agriculture and rural development.
-  That the Republic of Serbia ought to submit the request for entrustment of budget implementation tasks for IPARD II to the European Commission, in accordance with the provisions of EC Implementing Regulation 447/2014.

### The first benchmark for initiating the negotiating process in Chapter 11

The contents of the Action plan for transposition, implementation and enforcement of the EU acquis in the field of agriculture and rural development were agreed with the EC representatives. This Action plan sets out the manner and dynamics of transporting EU legislative, reforming agricultural policy, adjusting legislation of the Republic of Serbia and strengthening administrative capacity in the period until accession to the EU. The Action plan also provides assessment of the recourses

<sup>11</sup> Prepared according to: Ministry of agriculture, forestry and water management, Managing Authority (2020), Annual Implementation Report on IPARD II Program for period 2018 – 2019

needed and the development of adequate capacity for strengthening the program and control bodies, as well as the establishment of a Paying Agency and an Integrated Administration and Control System (IACS), which are preconditions for managing and controlling payments in agriculture, in accordance with the CAP rules. On 18th October, 2018 the RS Government adopted the Action plan for transposition, implementation and enforcement of the EU acquis in the field of agriculture and rural development. The Action plan was submitted to the EC on 1 November 2018.

### The second benchmark for initiating the negotiating process in Chapter 11

The submission of the request for the entrustment of budget implementation tasks (submission of the entrustment package) for IPARD II Program was at the same time a condition for finalization of the entrustment of IPARD Operating structure (IPARD OS) and for the absorption of the IPARD funds allocated by the EC to the Republic of Serbia in the amount of 175 million Euros for the period 2014-2020.

The precondition for successful preparation and submission of the entrustment package was strengthening of the administrative capacity, and in particular increase in the number of employees in the DAP (IPARD Agency) and in the Department for Rural Development (Managing Authority). The Government of the Republic of Serbia adopted Sectoral Agreement between the Government of the Republic of Serbia and the European Commission setting out provisions for the management and implementation of Union financial assistance to the Republic of Serbia under the Instrument for Pre-Accession Assistance in the policy area Agriculture and Rural Development (IPARD) and also the Decision on the appointment of responsible persons and bodies for the management of the program of pre-accession assistance of the European Union within the Instrument for Pre-Accession Assistance (IPA II) for the period 2014-2020 in order to submit the request for entrustment of budget implementation tasks for IPARD II Program.

On 14 December, 2015 the National Authorizing Officer (NAO) in cooperation with Managing Authority and IPARD Agency submitted the request of entrustment of budget implementation tasks for IPARD II Program (for Measure 1, Measure 3, Measure 7 and Measure 9) with accompanying documentation to the European Commission.

First DG AGRI IPARD Audit mission was held from 23 May to 1 June 2016. The Audit mission included the whole structure which is involved in the implementation of the IPARD II Program (NAO, NAO Support Office, National fund, Managing Authority, IPARD Agency and Audit body). On 9 August, 2016 the EC submitted the observations, recommendations and requests for additional information based on the DG AGRI Audit mission.

In October 2017, NAO resubmitted to the European Commission the request for entrustment of budget implementation tasks for IPARD II Program (for Measure 1 and Measure 3) with accompanying documentation. DG AGRI completed the sec-

ond audit mission from 20th to 24 November 2017 for Managing and Operating structure for Measure 1 – Investments in physical assets of agricultural holdings and Measure 3 – Investments in physical assets concerning processing and marketing of agricultural and fishery products.

In February 2018, DG AGRI confirmed by letter that budget implementation tasks could be entrusted to the IPARD II Program implementation structure and that the IPARD structure responded to the main requests made in the findings letter in a satisfactory manner.

The EC assessed that the Republic of Serbia had met both benchmarks for opening the negotiating process in the Chapter 11 and submitted its Opening Benchmark Assessment Report to the Working Party on Enlargement and Countries Negotiating Accession to the EU (COELA) on 11th February 2018.

According to the EU Progress Report for Serbia for 2019 for Chapter 11, good progress has been made with the adoption of an Action Plan for alignment with the EU acquis in the field of agriculture and rural development and with the implementation of the IPARD Program.

The External Audit of the IPARD Managing and Operating Structure for the entrustment of the budget implementation tasks for Measure 7 – Diversification of agricultural holdings and business development and Measure 9 – Technical Assistance was conducted in the period from 15 July to 19 August 2019. On 8 November 2019, NAO submitted the request for the entrustment of budget implementation tasks (for Measure 7 and Measure 9), with the accompanying documentation, to the EC. The NAO received Audit opinion with one condition and six recommendations from the European Commission (DG AGRI) on March 31 2020. The EC Audit findings are not blocking, but they include the conditions which have to be included in the Financial Agreement and it refers to the short-term decision on the appointment of all Assistant Directors in the IPARD Agency that should be replaced with long-term or permanent decisions. The remaining findings are intermediate and minor findings

## IPARD II<sup>12</sup>

IPARD II Program is the most important program of pre-accession assistance for rural development and the first document in the field of agriculture and rural development of the Republic of Serbia approved by all European Union members in January 2015. The main goal and purpose of this Program is to support agricultural producers and processors, as well as population of rural areas in the Republic of Serbia, to gradually increase their capacities and potentials in order to prepare timely and properly for the fulfillment of European standards and laws in the field of agri-

<sup>12</sup> Prepared according to: Ministry of agriculture, forestry and water management, Managing Authority (2020), Annual Implementation Report on IPARD II Program for period 2018 – 2019.

culture, agri-food industry and environmental protection.

The Program defines measures that provide financial support to the sector of primary agricultural production, sector of processing and marketing of agricultural products, as well as support for the diversification of economic activities in rural areas of the Republic of Serbia. Priority sectors for investments are the Milk sector, Meat sector, Fruit and Vegetable sector, Other crops sector, Egg sector and Viticulture/Wine sector. The measures support investments in the construction and/or reconstruction of facilities, as well as the procurement of new machinery, equipment and new technologies.

One of the conditions for using the funds of this Program was the establishment of a complementary support system at both national and local level, in which there is no double financing from public funds for the same type of investment, and which contributes synergistically to reducing regional discrepancies. The Republic of Serbia has been implementing the IPARD II Program since 2018.

Specific objectives of the IPARD II Program are defined in each IPARD measure. Currently, IPARD II is implemented through four accredited measures:

### Measure 1 - Investment in the physical assets of agricultural holdings<sup>13</sup> se

The objectives of this measure include providing support to primary agricultural producers in the process of alignment with rules, standards, policies and practices of the EU; ensuring support for economic, social and territorial development, for the purpose of smart, sustainable and inclusive growth, through a development of physical capital; ensuring answer to climate change challenges by promoting efficient utilization of resources; productivity increase and the quality of products together with a reduction of production costs; improvement of competitiveness of local producers with the adjustment to the requirements of the domestic and foreign market.

#### Measure 1 includes following sectors:



Milk,



Meat,



Eggs,



Fruit and Vegetable,








Viticulture,



Other crops (cereals, oil crops, sugar beet, flax).

### Measure 3 - Investments in physical assets concerning processing and marketing of agricultural and fishery products<sup>14</sup>

Objectives of this measure include strengthening of the agri-food sector competitiveness by investing in its modernization, for the purpose of a more efficient production, progressive alignment with the EU rules and standards related to environmental protection, food safety and product quality, animal welfare and traceability in the food chain and waste management, strengthening of the competitiveness of the agri-food industry in selected sectors through adjustment to the requirements of national and foreign markets and technical and technological improvement of the sector and ensuring answer to climate change challenges by promoting energy from renewable sources. Eligible five sectors for investments are:

-  Milk and milk processing sector,
-  Meat and meat processing sector,
-  Fruit and vegetable sector,
-  Wine sector,
-  Eggs sector.

**Measure 7 – Diversification of agricultural holdings and business development:** goal is to increase growth of the economic activities in rural areas, with the possibility of employment, which will directly increase income of holdings. Support through the Measure 7 is aimed at the new employment positions in rural areas, along with that dependence on the agriculture would be reduced, and the quality and availability of essential services and infrastructure would improve. Diversification within the IPARD II focuses on rural tourism, due to the long tradition and the great potential as well as the need for its further development. Availability of the IPARD funds, strengthening of the social capital and market links should strengthen rural communities and contribute to future sustainable development.<sup>15</sup>

**Measure 9 – Technical assistance: measure supports technical assistance and expenses related to the IPARD implementation. Goal is to assist in implementation and monitoring of the program, and its eventual modification.**

This measure will support IPARD II management through assistance to Managing

<sup>14</sup> PIPARD Managing Authority and IPARD Agency, Ministry of agriculture, forestry and water management (2019), Guidelines for users of the IPARD II program, for measure 1.

<sup>15</sup> <http://uap.gov.rs/meera-7-diverzifikacija-poljoprivrednih-gazdinstava-i-razvoj/>

authority (Department for rural development, Sector for rural development of the Ministry of Agriculture, Forestry and Water Management) to establish system for monitoring and evaluation, communication and promotion and work of the Board for IPARD II monitoring. This measure will support knowledge gaining of potential LAGs further improvement of the national rural network, training UT and implementation of the rural development policy.<sup>16</sup>

At the moment procedures for the accreditation of the following measures are in preparation phase:

**Measure 4 – Measures in sector of agriculture, environment protection, climate and organic production:** essential goal is to gain knowledge in implementation and introduction of methodologies and EU experiences in this sector.

**Measure 5 – Preparation and implementation of the Local development strategies (LEADER approach):** should contribute to civil society development and strengthening of the social dialogue within rural areas. Support to the good management, new employment possibilities and development of the human capital, with implementation of the local partnerships, contribute to sustainable development of rural areas.

## IPARD III

The European Commission presented the rulebooks for the next programming period (2021-2027) to the Managing Authority and announced that there would not be major changes in programming, as well as that an increase in the overall budget for IPA III assistance is expected.

All countries that are using IPARD support of the European Union, were recommended to start updating and drafting new sectoral analyses in order to develop the IPARD III Program that the Republic of Serbia has already completed in January this year. After consultations with relevant stakeholders and ongoing evaluation of the IPARD II Program, the preparation of the first draft of the IPARD III Program has started and finalization is expected in the spring of 2021. It is planned to submit the final version of the IPARD III Program to the European Commission for adoption in early September 2021.<sup>17</sup>

<sup>16</sup> <http://uap.gov.rs/mera-9-tehnicka-pomoc/>

<sup>17</sup> Ministry of agriculture, forestry and water management, (2020), IPARD in focus, No.4 – April/May, 2020.

The European Commission presented to the Managing Authority guidelines for the future program period (2021-2027) and announced that bigger changes in planning will not happen, and that the overall budget for IPA III will be increased.

It can be said with certainty that for future programming a set of 13 measures will be available to EU candidate countries. Measure 12 - Financial instruments and Measure 13 - Innovation and knowledge transfer are novelty compared to the IPARD II Program.

Other measures are related to: Investments in physical assets of agricultural holdings - Measure 1, Support for the setting up of producer groups - Measure 2, Investments in physical assets concerning processing and marketing of agricultural and fishery products - Measure 3, Agri-environment-climate and organic farming measure - Measure 4, Implementation of Local Development Strategies, LEADER approach - Measure 5, Investments in rural public infrastructure - Measure 6, Farm diversification and business development - Measure 7, Improvement of training - Measure 8, Technical Assistance - Measure 9, Advisory Services - Measure 10 and Establishment and protection of forests - Measure 11.

The Managing Authority is actively working to support the development of rural infrastructure, to diversify income in rural areas and to develop various activities in the next IPARD III programming period. All these measures are aimed at creating better and more attractive living conditions in the countryside, which is certainly a precondition for staying of young people and their business development.<sup>18</sup>



<sup>18</sup> Ministry of agriculture, forestry and water management, (2020), IPARD in focus, No.5 – June/July, 2020.

### 5.3. National measures of support in agriculture and rural development <sup>19</sup>

The Law on agriculture and rural development ("Official Gazette" RS No. 41/09, No. 10/13 – other law, No. 101/16) and the Law on subsidies in agriculture and rural development ("Official Gazette" RS No. 10/13, No. 142/14, No. 103/15, No. 101/16) regulate support in the sector of agriculture and rural development as well as the goals of agrarian policies and rural development policy, the way of application, the register of the agricultural holdings, monitoring of the implementation of the law. This law prescribes rules of implementation and control of the IPARD program.

All registered agricultural holdings are entitled for support measures.

Funds allocated are defined in the Decision on subsidies' distribution in agriculture and rural development each year. Subsidies in agriculture and rural development are implemented on the basis of relevant by-laws, which define the criteria for eligibility to subsidies, as well as eligibility modes.

Rural development measures are created upon the IPARD principles, and at some a boundary of basic criteria related to land surface is set, while at certain measures the only difference is the amount set for the maximum support and this represents risk for overlapping national and IPARD measures.

Types of subsidies:

- 🌱 direct payments,
- 🌱 rural development measures,
- 🌱 specific subsidies,
- 🌱 credit support.

#### Direct payments

In terms of budget allocations, direct payments are the most important type of subsidies, and they were realized through premiums, production subsidies and recourse. The only type of premium is the milk premium, in the amount of RSD 7 per liter of cow, sheep and goat raw milk, delivered in the previous quarter. In order to be eligible for the premium for cow milk, it is necessary that the premium recipient delivers at least 3,000 liter of cow's milk per quarter to dairies, or at least 1,500 liters in areas with difficult working conditions in agriculture.

Subsidies for plant production are implemented as basic subsidies for plant production as area payment per hectare, while subsidies in livestock farming are implemented through subsidies for: quality breeding animals, animals for fattening, suckler cows, per beehive, breeding of beef cattle for production of calves and pro-

<sup>19</sup> Ministry of agriculture, forestry and water management, Managing Authority (2020), Annual Implementation Report on IPARD II Program for period 2018 – 2019.

duction of fish for consumption.

The only type of regress is regress for storage costs in public storages, at a support level up to 40% of the amount of storage costs.

### Measures for rural development

**Subsidies for competitiveness improvement** are realized through support for investments in the physical assets of the agricultural holdings, investments in processing and marketing of agricultural and food products and fishery products, as well as through the risk management measure.

**Support for investments in processing and marketing of agricultural and food products and fishery products** is a support scheme for improvement of the quality of wine and brandy spirits and agri-food products, procurement of control and registration labels for agri-food products and wine, as well as procurement of equipment in the meat sector, milk sector, wine sector, spirits and beer production sector. Subsidies are provided in the amount of 50% of the value of the realized eligible investment excluding the amount of the added value tax or 65% out of this value in the areas with difficult working conditions in the agriculture.

The risk management measure is based on regressing part of the cost of insurance premiums for crops, fruits, perennials, nurseries and animals and is realized through reimbursement of 40% of paid insurance premiums (45% for areas with difficult working conditions in agriculture) or in the maximum amount of 70% of the paid insurance premium in the Morava, Zlatibor and Kolubara administrative districts.

**Subsidies to preserve and improve the environment and natural resources** includes agri-environmental measures, organic production measures, as well as measures aimed at mitigating the climate change, protection of the agricultural land and water.

**Subsidies for income diversification and improvement of quality of life in rural areas** include a set of measures aimed at support of non-agricultural activities related to improving the quality of life in the countryside. This measure promotes activities such as improvement of rural tourism and handicrafts, preservation of traditional and artistic crafts, etc. The ultimate goal of these measures is diversification of rural economy through the development of business and economic activities in rural areas.

**Subsidies for the preparation and implementation of Local Development Strategies** include support for the preparation and implementation of Local Development Strategies and it is paid to the maximum aid intensity of 100%.

**Subsidies for improvement of the system of knowledge creation and transfer** include support for the development of technical-technological, applied, developmental and innovative projects in agriculture and rural development, as well as support for the providing advice and information to agricultural producers, associations, cooperatives and other legal entities in agriculture and rural development. These subsidies were implemented as a form of support to agricultural advisory services, with the aim of improving advisory activities in agriculture and rural development.

### Specific Subsidies

This type of subsidies indirectly affects agricultural production through financing activities related to improving a quality of production and promotional activities. They include subsidies for the implementation of breeding programs - selection measures, subsidies for promotional activities in agriculture and rural development (measures and actions in agriculture) and subsidies for production of planting material, certification and clone selection.

### Credit support

Credit support is based on subsidizing a portion of the interest of the credit and can be obtained for the purpose of investment into livestock, crop production, fruit growing, viticulture, vegetable growing and floriculture, investment in agricultural machinery and equipment, as well as the procurement of animal feed. Higher aid intensity is provided to AHs which are operating in areas with difficult working conditions in agriculture, to farmers up to 40 years of age and women.

### Allocated funds for subsidies in agriculture and rural development

Allocated funds for subsidies in agriculture and rural development in 2018 amounted to RSD 30.4 billion. Out of that, RSD 21 billion was allocated for direct payments, RSD 6.4 billion for rural development measures and RSD 1.8 billion for IPARD subsidies, while the remaining amount was allocated for credit support and specific subsidies. During 2018, RSD 28.3 billion was paid for subsidies in agriculture and rural development. The largest amount of budget funds was realized on the basis of direct payments (74%), while 22% of the total realized budget funds were spent on rural development measures. During 2018, approximately RSD 21 billion was spent on the realization of direct payments, for almost 108 thousand requests for direct payment measures. The largest amount (46%) of funds was realized on the basis of subsidies in livestock (approximately RSD 9.6 billion); while 29% of the budget for direct payment (approximately RSD 6.2 billion) was allocated for subsidies in plant

production. Premium for milk amounted to about RSD 5.3 billion (almost a quarter of all direct payments).

When it comes to 2019, the allocated funds for subsidies in agriculture and rural development amounted to RSD 40.5 billion. For direct payments was allocated RSD 27 billion, for rural development measures RSD 7.7 billion, IPARD subsidies amounted to RSD 4.9 billion, while the remaining amount was allocated for credit support and specific subsidies.

Compared to 2018, in 2019 there were no significant deviations in the total realized budget funds on the basis of direct payments (75%) and rural development measures (21%).

During 2019, approximately RSD 34 billion was paid for subsidies in agriculture and rural development.

On the implementation of direct payments in 2019 was spent RSD 25.4 billion, out of which the largest amount (44%) of funds was realized on the basis of subsidies in livestock (approximately RSD 11.3 billion), while 33% of the budget for direct payments (approximately RSD 8.3 billion) was allocated for subsidies in crop production. Milk premiums amounted to approximately RSD 5.9 billion (23% of all direct payments).

Realized funds based on rural development measures in 2018 amounted to RSD 6.3 billion (9.7 thousand applications for subsidies), with the highest share of funds realized for investments in physical assets of agricultural holdings with 68% (approximately RSD 4.2 billion). For rural development measures approximately RSD 7 billion was paid in 2019, with the highest share of funds realized for investments in physical assets of agricultural holdings with 72% (approximately RSD 5 billion).

For credit support, during 2018, RSD 912.2 million was paid (3.2% of the total realized subsidies), while RSD 203.2 million was paid for specific subsidies (0.7% of the total realized subsidies). When it comes to 2019, RSD 635.5 million was paid for the credit support (1.9% of the total realized subsidies), while RSD 184.2 million was paid for specific subsidies (0.5% of the total realized subsidies).

### 5.3.1. National support measures for organic production

According to the Law on subsidies in agriculture and rural development ("Official Gazette" RS No. 10/2013, 142/2014, 103/2015 and 101/2016), subsidies for organic plant production are given for production costs and fuel and/or fertilizer and/or seeds, per hectare.

Bonuses were not foreseen in support measures since 2017.

Premium price for milk and subsidies in livestock production are increased at least 40% in comparison to conventional farming.

In the Decision on subsidies in agriculture and rural development are indicated funds, type of subsidies and the maximum amount for certain type of subsidy in agriculture and rural development in accordance to the Law on subsidies in agri-

culture and rural development and the Law on budget of the Republic of Serbia for current year.

In Rulebook on subsidies in organic plant and organic livestock production are given conditions; way and model of application, as well as the maximum one applicant can get according to the type of measure in the livestock production.

Every year is determined budget for agriculture, and there is no differentiation in the budget between organic and conventional production. Although subsidies for organic production are proportionally bigger, they unfortunately depend on the amount set for measures in conventional production, which prevents long-term planning. Organic production is legally defined and specific type of agriculture with its restraints and rules. Some of the conditions anticipated in the rules for subsidies in the livestock production are not applicable in organic production or are not even complied with the regulations in this field.

Organic production is a specific type of agriculture therefore it requires different approach in designing subsidies tailored for its needs.

Producers can get subsidies for:

- 🌱 production in conversion,
- 🌱 producers finishing conversion and are awaiting for certificate, certified organic plant/livestock production,
- 🌱 group organic production in accordance to the organic farming regulations.

Subsidies for organic production can get:

- 🌱 legal person,
- 🌱 sole proprietor and
- 🌱 natural person – commercial agricultural holding's owner.

### Funds allocated for organic production

**In the period between 2014 and 2020 subsidies for organic plant production were increased proportionally for 40, 70, 120 and even 400% in relation to the conventional production, while the subsidies for the livestock production were increased constantly for 40%.**

**Table 13: Subsidies for organic plant production 2014 - 2020**

Year	2014	2015	2016	2017	2018	2019	2020
Percentage (%)	40%	40%	40%	70%	70%	120%	400%
Incentives per ha	8.400	8.400	2.800	3.400	6.800	11.440	26.000
Bonus	70din/l fuel + 14d/l fertilizers	8400 din/ha for fertilizers	2800 din/ha for fertilizers	3400 din/ha for fertilizers			
Maximum per beneficiary				136.000	136.000	228.000	520.000

Budget allocated for subsidies in organic production by the Serbian Government have been changing over years.

**Table 14: Budget allocated for organic production in 2014 - 2020**

2014	2015	2016	2017	2018	2019	2020
93.750.000	92.000.000	92.000.000	90.000.000	110.000.000	117.320.000	350.000.000

#### **Subsidies for organic production in 2020:**

These subsidies are regulated by the Rulebook on subsidies in organic plant production ("Official Gazette" No. 31/18) and the Rulebook on changes of the Rulebook on subsidies in organic plant production ("Official Gazette" No. 20/20).

Producers included into the organic plant production can in 2020 get subsidies 400% higher than producers in the conventional production, even 26,000 RSD per hectares.

Maximum amount per beneficiary is 520,000 RSD.

Application can be submitted once per year, in two copies to the Ministry of finance – Treasury Administration from 3 May to 30 June.

#### **Subsidies for organic livestock production in 2020:**

These subsidies are regulated by the Rulebook on subsidies in organic livestock production ("Official Gazette" No. 25/2020). Rulebook prescribe type of subsidies for organic livestock production, prerequisites and the way of applying as well as the maximal amount per beneficiary and per type of measure.

Producers included into the organic livestock production in 2020 can get subsidies 40% higher than conventional producers for following types of subsidies:

- 1) premium for milk produced organically,
- 2) cattle fattening,
- 3) lamb fattening,
- 4) kid fattening,
- 5) pigs fattening,
- 6) milking cows,
- 7) beehives,
- 8) freshwater fish production,
- 9) cows for calves production,
- 10) pedigree dairy cows breeding,
- 11) pedigree fattening cows breeding and bulls,

- 12) pedigree sheep and rams, goats and billy goat,
- 13) pedigree sow and pig breeding,
- 14) pedigree parent stock heavy breed chicken,
- 15) pedigree parent stock light breed chicken,
- 16) turkey parent stock,
- 17) pedigree common carp breeding,
- 18) pedigree trout breeding.

#### **Subsidies for control and certification of the organic production**

Organic producers can get reimbursement for the costs of control and certification as stipulated in the Rulebook on subsidies for implementation of food quality standards, certification of organic and products and products with geographical indication of origin, with the aim of raising competitiveness ("Official Gazette" RS No. 39/18).

Producers included in the organic production can be reimbursed 50% of the total costs for control and certification (without VAT), or 65% in the areas with difficult work conditions in agriculture.



## SWOT ANALYSIS

The review of the organic production sector in the Republic of Serbia identifies a number of positive trends and shows that many participants along the value chain try to succeed on their path of development. While numerous factors indicate great potential for the development of organic production, a certain important obstacles and problems still stand in the way and must be overcome. Some of the main obstacles are: limited capital at all levels of the value chain, poor organization of participants along that chain, poor efficiency of production, processing and marketing. On the other hand, Serbia is on its way to the European Union and the implementation of the IPARD II program enables investors to have more than 60% of their investments financed through IPARD. The organic production sector eagerly awaits the implementation of agro ecological-climatic measures and organic production measures, through IPARD III, when organic producers in plant production will have the opportunity to achieve incentives significantly higher than national and for longer term (five years).

The SWOT analysis of the organic production sector in the Republic of Serbia, presented in this brochure, leads to the conclusion that there are many advantages and recognized opportunities of this sector, but also that it faces many threats that should be overcome in order to take an advantage of great potential and assets sector has.



Table 15: SWOT analysis of the Serbian organic sector

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>■ Sector's growth.</li> <li>■ Agro-ecological resources.</li> <li>■ Over 50% of goals from the Plan for development of organic production 2015–2020, is realized.</li> <li>■ Improved legislative and institutional framework.</li> <li>■ Improved control system.</li> <li>■ Updated lists of inputs for plant protection and plant nutrition.</li> <li>■ Improved support measures (subsidies).</li> <li>■ Larger areas of uncontaminated agricultural land not intensively cultivated, facilitating conversion.</li> <li>■ The declaration against GMOs was signed by 136 cities and municipalities in the Republic of Serbia.</li> </ul>		<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>■ Small sector.</li> <li>■ Low production efficiency production, especially at smaller producers.</li> <li>■ Lack of cooperation among participants in the value chain.</li> <li>■ Support measures lack continuity and a longer-term plan.</li> <li>■ Subsidies for organic production are part of the overall support measures in agriculture.</li> <li>■ Lack of an advisory sector specialized just for organic producers.</li> <li>■ Lack of continuous and planned education</li> <li>■ Producers lack of knowledge on organic production.</li> <li>■ Lack of interest of organic producers for associating.</li> <li>■ Lack of labor force in rural areas.</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>■ Increasing demand for Serbian organic products on the international market.</li> <li>■ Increasing production volume.</li> <li>■ Organic vegetables production and production of medicinal plants and herbs grow.</li> <li>■ Development of the processing industry.</li> <li>■ Local governments active in creating plans and measures for the development of organic production.</li> <li>■ More intensive development of organic agriculture in protected natural resources.</li> <li>■ Development of rural areas through the development of organic production.</li> <li>■ Improving small and medium size producers' technology.</li> <li>■ Increasing production productivity.</li> <li>■ Greater employment of young people in sector</li> </ul>	<ul style="list-style-type: none"> <li>■ Interest of international donors.</li> <li>■ Organic production taught in agricultural secondary schools and faculties.</li> <li>■ Trained teachers of secondary agricultural schools.</li> <li>■ Free Trade Agreements (EFTA, CEFTA, EU, Eurasian Union, Turkey).</li> <li>■ Implementation of IPARD II measures.</li> <li>■ Growing demand for organic products.</li> <li>■ Established good trade relations with the EU market (especially Germany, France, Italy, the Netherlands, Austria).</li> <li>■ Active National Association in sector.</li> <li>■ and their training through internship programs.</li> <li>■ Noticeable trend of young people returning to villages and starting family farming.</li> <li>■ Serbia Organica created a database of organic production for business networking.</li> <li>■ Implementation of a measure to support organic production through IPARD III.</li> <li>■ Application of scientific and research projects on the field.</li> <li>■ Improving knowledge transfer.</li> <li>■ Intense development of organic products' domestic market.</li> <li>■ Establishing reference price and pricing reports for organic products within AMISS.</li> <li>■ Popularization of organic products in preschools and schools.</li> <li>■ Implementation of national promotional campaigns.</li> <li>■ Development of marketing of organic products.</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>■ Unrecognizable sector at the political level as a significant force for agricultural development.</li> <li>■ Stagnation of the sector due to insufficient support from all levels.</li> <li>■ Inefficient implementation of the new legislative framework that will be harmonized with the new EU regulations and which envisages changes in established practices.</li> <li>■ Sector will not be able to build international connections and will not penetrate relevant markets.</li> <li>■ Export will not increase due to the growing organic production in the competitive countries.</li> <li>■ Departments of environmental protection, health and education will not be involved in the development of organic agriculture and the promotion of organic production.</li> <li>■ Investments in the development of organic production will not be recognized by local governments.</li> <li>■ Trend of depopulation of rural areas continuous.</li> <li>■ Producers show no interest in associating.</li> <li>■ Lack of established cooperation along the value chain.</li> <li>■ Impossibility of mobilizing domestic and international investments.</li> <li>■ Lack of mass employment of young people in the sector.</li> <li>■ Unfair competition of the large number of imported products on the domestic market with domestic.</li> <li>■ Lack of knowledge and lack of trust of consumer in organic products will slow down the intensive development of the domestic market.</li> <li>■ Buying power of the population will not increase.</li> </ul>

## SERBIA ORGANICA

Serbia Organica is the umbrella association for development of organic production with the mission of supporting organic production and its growth, established in May 2009 as an independent, non-profit civil organization upon initiative of organic sector actors.

Association performs various activities across Serbia and gathers representatives of the sector, cooperates with relevant governmental and non-governmental organizations, representing interests of the sector. Overall mission is to make organic production stable and competitive on both national and international market. As the focal point in dissemination of information on organic sector, association connects actors in Serbia and abroad.

Serbia Organica cooperates with the Ministry of Agriculture, Forestry and Water Management, in following issues:

- 🌱 lobbying and suggesting measures related to subsidizing and normative activity,
- 🌱 joint promotion of organic production,
- 🌱 discussions on issues in organic production,
- 🌱 participation in informing actors in organic sector,
- 🌱 organization of exhibitions and fairs.



## PRIVATE SECTOR DEVELOPMENT IN DISADVANTAGED REGIONS OF SERBIA – PSD

Project term: 2017 to 2022

German organization for international cooperation (GIZ) on behalf of the German Federal Ministry for Economic Cooperation and Development is managing PSD project.

The PSD project promotes the competitiveness of micro, small and medium-sized enterprises (MSMEs) in Serbia. PSD works in different fields with the purpose to strengthen the public and private service providers (mainly the Serbian chamber of commerce - PKS), MSMEs and the relevant line ministries.

In order to reach the objective, the project is active in four areas of intervention:

1. Improvement of the service offer of private and public actors in order to support MSMEs.
2. Service offer support for MSMEs in selected value chains (VC): IT, metal and mechanical engineering, sustainable agriculture and tourism.
3. Contribution to the national industrial policy, focusing on the advisory of the Serbian Ministry of Economy (MoE) and the involvement of the private sector needs mainly in the selected VC of the project.
4. Promotion of Tourism in the Lower Danube Region (promotes the development of a competitive tourism offer in this region – through Co-financing with the EU).

### Outcome:

- 🌱 Private sector's needs (mainly MSME from selected VC) are included in the new Strategy of industrial policy of Serbia. Serbian Government adopted the Strategy in 2020, and the action plan is being prepared.
- 🌱 Services offered by organizations in private sector for MSME are increased, which resulted in business growth:
  - 🌱 PKS employees have capacities to advise on:
    - application of the EU legislative framework in chapter 1 (technical legislation, CE logo, Serbian conformity logo),
    - access to different source of funding and business plan development.
  - 🌱 Centre for digital transformation (CDT) created within the PKS, can provide advisory services on improving digital competitiveness of MSME.
- 🌱 Incorporation of MSMEs in the selected VCs into international supply chains.
- 🌱 Improved relations between Serbian and international companies in mechanical engineering and organic agriculture through B2B training.
- 🌱 Increase of MSME productivity through the implementation of new ICT solutions:

- 🌱 consultation and mentoring via CDT experts,
  - 🌱 optimization of businesses of organic producers via mobile application developed for agriculture,
  - 🌱 workshops on digital transformation topics in automobile sector, gave possibility to the companies in this sector to use and apply new digital solutions,
- 🌱 Enrichment of entrepreneurship through start up promotion and development of new business models for start-ups (NiCAT Cluster).
  - 🌱 Strengthening of women entrepreneurship:
    - trainings for building capacities of women entrepreneurs for digitalization of business processes,
    - improved soft skills connected to business communication of organic producers.

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# A DECADE OF HEALTHY IDEAS

Ten years of NLB Organic project of NLB Bank



godina NLB Organic  
konkursa NLB Banke

Agriculture is not an activity that is easy to do. Always looking at the sky, we face various challenges that we cannot control. We are worried that there will be no water, we are worried if there will be too much water, if there will be enough sunny days, if there will be bad weather. When it comes to organic production, the road to the product is even more difficult, having in mind the battle against diseases, against weeds without the use of chemical means, with a lot of "manual work". When we want to improve our business, we often lack funding. NLB Banka recognized our work on the one hand, and the sustainability of our production on the other hand and the result is NLB Organic competition that a bank is announcing the tenth year in a row for the organic producers.

NLB Bank launched the NLB Organic competition back in 2012, when there was almost no interest in organic production, and in our country only a hundred producers decided to go by this difficult path. Since then, every year, the bank rewards the projects of organic food producers, certified, individually or within a group certification, as well as the producers whose farms are in the period of conversion. So far, as many as five hundred projects have participated in the competition.

In 2021, at the tenth jubilee competition of NLB Bank, the authors of three projects selected by the expert commission will be awarded funds in the total amount of one and a half million dinars.

With this competition, which is one of the most important CSR projects of the bank, NLB Bank wants to provide support to farms that realize their production in a sustainable way, a way that contributes to human health, land preservation, environmental protection. At the same time, NLB Organic project is aimed at supporting the economy, because organic production in Serbia has a really great growth potential, and it is a chance for both small farms and those in underdeveloped areas, where there are almost no other chances for business.



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