

Agricultural and Food Industry potential



EASTERN SERBIA



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Regionalna agencija za razvoj istočne Srbije
Regional Development Agency Eastern Serbia

Agriculture and Food Industry in Serbia

By the size and structure of available farmland, Serbia is among the European countries with the most favourable land resources. Serbia has favourable natural conditions for diversified agricultural production (both crops, and livestock), experienced producers, capable professionals and scientists and a worldwide recognized selection of herbal products.

The climate in Serbia is moderately continental, with localized variations. The mean temperature ranges from 3 ° C in regions above 1.500 m above sea level and 12 ° C in the lowlands. The Republic of Serbia is an area rich in springs and watercourses.

Land in Serbia is very diverse, as a result of high heterogeneity of the geological structure, climate, vegetation and microfauna.

The Republic of Serbia has 5.05 million hectares of agricultural land, out of which 73% of the area are used in the intensive way. The main part of the agricultural land are arable land and gardens (73%), followed by meadows and grasslands (20.7%), orchards (4.8%), vineyards (0.6%), crofts (0.7%), and other permanent crops (0.1%).

Regarding arable land and gardens, the largest area is used for wheat (68%). The area used for maize (39%) and wheat (24%) are the most common. Fruits such as plums cover 45% of the total fruit production and apples cover 15% of the total fruit area.

The structure of agricultural land indicates the structure of agricultural production where the larger part is the vegetable production - about 67%, and 33% of livestock production.

Regarding the utilization of agricultural land, it is estimated that each year between 200 and 350 thousand hectares of arable land and meadows go unused. Also, only 3% of utilized agricultural land is irrigated.

The most important Serbian agricultural products are corn, wheat, sunflowers, sugar beets, soybeans, potatoes, apples, plums, grapes, pork, beef and poultry and milk.

The agricultural production is shown in the following tables:

Table 1: *Production of vegetable crops in Serbia - 000 t*

	2008	2009	2010	2011	2012
wheat	2.095	2.068	1.630	2.076	1.921
corn	6.158	6.396	7.207	6.480	3.533
barley	344	303	244	279	266
oats	96	74	68	71	66
rye	14	13	10	12	10
sugar beet	2.299	2.798	3.325	2.822	2.328
sunflower	454	378	378	432	366
soja	351	349	541	441	281

Source: Statistical Office of the Republic of Serbia

Total meat production reflects trends of slower growth in the last ten years in the Republic of Serbia. It is different for each kind of meat. While the production of beef reflects a rising trend (fell 15% over the course of ten years), production of lamb, especially poultry meat, reflects a dynamic growth trend.

Table 2: Livestock breeding *Number of livestock in the Republic of Serbia*

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total	1516	1553	1529	1571	1631	1602	1578	1540	1475	1442	1437
cattle	921	913	904	917	891	882	863	817	765	766	755
horses	-	-	-	-	17	17	15	13	13	10	-
pigs	384	411	395	415	477	447	443	454	436	413	395
sheep	138	152	154	158	160	167	168	156	153	150	168
goats	-	-	-	-	12	11	12	11	11	10	-
poultry	73	77	76	81	74	78	77	89	97	93	118

Source: Statistical Office of the Republic of Serbia

The quota for beef export under preferential conditions in the EU Member States amounts to 8.700 tons per year. In the period between 2010 and 2013 it was used with only 5 - 7% per annum. The Russian Federation and Asian markets present a significant opportunity, particularly for the export of beef and lamb.

There are all necessary preconditions for an increase of beef and lamb production, such as number of animals available in basic herds, the production of forages and concentrated animal feeds, accommodation facilities, and animal breeding.

Compared with the neighboring countries and the leading European manufacturers, the price of herbal products in Serbia is lower. Prices of pork and milk are also competitive compared with other prices in neighboring countries. The competitiveness of the pork price in comparison to other countries is caused by the lower price of corn as the main raw material.

Although there are good conditions for agricultural production and food industry, the potentials are underused because this sector participates only with about 17% in the overall domestic product (GDP):

- agricultural production 10,6% i
- food industry 6,4%.

Even though this indicates an average share of agriculture in the Serbian GDP bigger than the EU average, it also points to the exceptional opportunities for investment and development of this segment of the economy.

Overcoming the 20%, the share of agriculture in total employment rate in the Republic of Serbia is still very high, among the highest in Europe.

Regarding food production, a small decline has been recorded recently. According to the official statistics, it declined by 4.6% in 2013, compared to the same period in 2012.

In the regional food industry the largest production growth has been recorded in bakery production and pasta production amounting to 2.4% and a slight increase in the processing and canning of fruits and vegetables by 1.9%.

Table 3: *An Food industry production average index by branches, 2013*

Name	Production index- an average index for the previous period
Processing and canning of meat and meat products	91
Processing and canning of fish, crustaceans and molluscs	83,7
Processing and canning of fruit and vegetables	101,9
Manufacture of vegetable and animal oils and fats	82,8
Manufacture of dairy products	94,8
Manufacture of grain mill products, starches and starch products	85,5
Manufacture of bakery products and pasta	102,4
Manufacture of other food products	107,5
Manufacture of prepared feeds for animals	88,2
Manufacture of beverages	92,7
Manufacture of tobacco products	92,7

Source: Statistical Office of the Republic of Serbia

Agriculture and Food Industry in Eastern Serbia

Eastern Serbia has outstanding possibilities for development of agriculture due to good quality soil, favorable climate and the existence of numerous water sources. A special opportunity for investors is farming that requires the use of a large existing workforce, such as the production of vegetables, fruits, tobacco and related products. Investors can benefit from the competitive advantage of relatively cheap and skilled labor force.

Significant opportunities for development are related to a production using large areas of meadows and pastures presented in this region of Serbia. Due to relatively well-preserved environment there is a good potential for organic farming and production, which requires certificates and unpolluted environment for products of nature collection and for cultivation and protection of geographical indications of origin of the product. Arable land accounts for 51% of the entire territory (304 370 ha) of Eastern Serbia. The most developed areas of agriculture are livestock farming, husbandry, fruit growing, and grape growing.

According to the prevailing altitude and slopes, the biggest part of Eastern Serbia stretches at 200-350 m above sea level. It makes the region one of the lower regions particularly suitable for growing grapes in the lowland, and fruit in the upperland. The lowland areas, suitable for intensive crop farming are in Kljuc and Negotin Plain.

Nearly 55% of total agricultural area is arable land, nearly 40% are meadows and pastures, 2.9% are orchards, and 2.7% are vineyards. At the level of administrative districts, these relationships are almost identical. But there is a big difference between municipalities, especially in terms of arable land (fields and gardens), orchards and vineyards or meadows and pastures, primarily depending on the geophysical conditions (the Table below).

Table 4: *Spatial distribution of agricultural land in Eastern Serbia by its use (hectares)*

Name of area	cadastral municipalities TOTAL	Arable land	Gardens	Orchards	Vineyards	Mead-ows	Grass-lands	Agricultural land TOTAL
Eastern Serbia	268	199795	1032	10824	10086	71463	73761	366961
Plain land	22	22232	117	217	2090	2538	1976	29170
Rolling land	84	83427	459	2747	5277	17750	13972	123632
Hilly land	95	59393	280	4953	1953	27188	27476	121244
Mountainous terrain	67	34743	175	2908	765	23987	30336	92915

Source: Statistical Office of the Republic of Serbia, Belgrade

Historically this region was known for its orchards and vineyards. Sour cherry, cherry and raspberry are the most exporting fruit from the region. Production of sour cherries averages 6,266 tons per year, cherry - 2,334 tons/year, raspberries - 352 tons/year, strawberries - 924 tons/year, apricot - 676 tons/year, plums - 16 657 tons/year, apples - 6,276 tons/year, and pears - 2,862 tons/year.

There is a preferred environment for growing grapes (climate, relief and soil). The area between the Danube and Municipalities of Kladovo and Negotin, and the area surrounding the River Timok, between Municipality of Negotina and City of Zajecar, and an area around the settlement Knjaževac are the most famous vine production areas.

Regarding wheat, the most common crops are corn and wheat (covering over 50% of arable land). Vegetables are grown mainly along the Timok river bank due to water availability and favorable soil for vegetable growing (alluvial deposits, etc.).

There are excellent natural conditions for livestock development (brood, sheep and goats, poultry), and development of small scale farming of poultry and ostriches. There already have been some important slaughterhouses and processing facilities. The best one is "Stokoimpex", Knjaževac - slaughterhouse that possesses the required EU certificate. According to the last Census of Agriculture, the data regarding livestock production in Eastern Serbia is shown in the following table:

	Cattle	Pigs	Sheep	Goats	Honybee colony	Poultry
TOTAL	35.761	102.185	78.798	16.759	56.803	430.241

Regarding the conditions for livestock production, there is a significant untapped potential in Eastern Serbia.

With reference to medicinal herbs and wood berries, there are exceptional natural conditions and different plant species in the mountains as Stara planina, Rtanj, Devica, Deli Jovani Miroč. Collection and processing of medicinal plants is most developed in Sokobanja (Spa). There is located a firm "Adonis", one of the largest processors of medicinal plants in Serbia.

The local funds for agricultural development are an important issue. Every municipality in Eastern Serbia has its own local development fund to support agriculture. These funds can provide different (technical and financial) support to projects related to agriculture.

Investment opportunities related to agriculture and food industry in Eastern Serbia are numerous. Here are some of them:

- primary agricultural production – fruits and grape growing, as the most dominant
- livestock farming - especially in the hilly and mountainous areas
- purchase and processing of fruits,
- construction of processing facilities – especially for the purpose of fruit growing, grape growing and vineyards and livestock farming
- establishment of business cooperation with existing manufacturers and companies in the region
- joint ventures with existing companies in the region
- and many more!

Lease of agricultural land owned by the state

Eastern Serbia has recently improved its offer of agricultural land to potential investors. One of them is the possibility of a lease of agricultural land owned by the state. The procedure and manner of the land lease is as it follows:

- Agricultural land owned by the Republic of Serbia is administered by the Ministry of Agriculture and Environmental Protection;
- Lease of agricultural land owned by the state is done through public competition by local governments each year;
- Agricultural land owned by the Republic of Serbia cannot be alienated but fish farms and vineyards can be leased for a period up to 40 years free of charge in accordance with the Law on Public Property (“Official Gazette of RS”, no. 72/11 and 88/13);
- The average cost for renting 1ha in Eastern Serbia is in a range of 10-60 € depending on the land quality and its location

For any additional information regarding the abovementioned investment locations or your business idea to develop, please do not hesitate to contact RARIS - Regional Agency for Development of Eastern Serbia. RARIS possesses a database of investment locations in the region and expertise to help you make your best investment decision. Depending on the business idea and preferred location, the Agency provides investors with information about the region, potential projects, investment opportunities and contacts with local self governments or commercial entities. The Agency is also happy to facilitate all necessary government contacts and public affairs works for you.

We would appreciate to provide you with additional information and help you with your new business ventures.

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