ANALYSIS OF THE COMPETITIVENESS OF SERBIA IN TERMS OF ATTRACTING INVESTMENTS IN AGRICULTURE AND RURAL DEVELOPMENT

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Serbia should use in the best possible way its comparative specificities and advantages in regard to the surrounding countries, some EU countries and the Russian Federation for the development of agricultural and other activities, especially the compatible activity, such as the rural tourism.

Besides land and climatic conditions, which have been the evident comparative advantages of the Republic of Serbia, the agricultural manufacturers have been very important comparative advantage in this production in past several years. They not only to follow the global trends in this production, but significantly invest in new technologies, specialize themselves, organize and connect with mutual interests, in order to meet the demanding world market for agro-food products.

There are also numerous small agricultural manufacturers, whose agricultural productions are not specialized, but are recognizable by high-quality, very specific and healthy-safe food. At the same time, they have capacity, with relatively small investments, to receive visitors in their holdings and provide them the additional economic activity – providing the tourist services.

Expected trends

Characteristics of long-term trends of agricultural development in the world and EU can be classified in seven groups. These are: distribution of global competitiveness, decrease of agricultural population, drastic change of climate, significant productivity increase, economic crisis, increase of agro-food products prices, changes in consumers demand

The agricultural manufacturers in Serbia, regardless to the significant results achieved in Vojvodina, Macva, Stig and Morava Region, still lag behind the producers in the EU in many segments of competitiveness. This stagnation has especially been expressed regarding the realized income and export per an area unit, and then by yields in crops and weight gains in livestock production, applied technology, realized production per a farmer, achieved level of processing, etc. Slow and unclearly defined reforms, frequent changes of ministers, negative influence of tycoons, import lobby, impoverished agriculture and village, devastated and elderly village, destroyed cooperative sector, etc., are the main reasons of this stagnation.

Along with all mentioned problems, the Republic of Serbia is a small and poor country, so the agricultural manufacturers have less state support than the manufacturers from the competitive countries.

Agrarian budget decreases in the Republic of Serbia, the agrarian budgets in the EU countries stay the same, and in the countries with CEFTA Agreement even increases. Serbia provides the subsidies of 70 euro/hectare to the agricultural manufacturers.

There has come to the change of agrarian structure of agricultural holdings In Serbia in past several years. That is to say, there increase a number of holdings which cultivates 50-100 hectares, especially in Vojvodina, and there are fewer of holdings which cultivate 200-300 hectares of land.

The Republic of Serbia bases its agricultural production on family holdings, along with a small number of factory-farms. According to the Census of Agriculture in 2012, Serbia disposes with 631,552 agricultural holdings (AH). An average economic size of AH amounts 5,939 euro, and according to the organizational-legal form of AH, this indicator amounts: in the sector of family holdings – 4,990 euro; in the sector of legal entities and entrepreneurs – 204,755 euro. Observed by the regions, the Belgrade region has 33,244 AH, the Vojvodina region has 147,624 AH, the region of Sumadija and West Serbia has 262,940 AH, and the region of South and East Serbia has 187,744 AH.

The significance of agriculture in the economy of Serbia

Table no. 1. Macro-economic indicators of agricultural contribution to the economy of the Republic of Serbia

Ordinal no.	Description	2008.	2009.	2010.	2011.	2012.	2013.	2014.	2015.
1.	GVA of agriculture, forestry, hunting and fishery (million RSD)	238.478	231.680	261.510	306.608	269.999	305.520	302.226	-
2.	Share of GVA of agriculture in the total GVA (%)	8.7	8.0	8.5	9.0	7.5	7.9	7.7	-
3.	Employment in agriculture, forestry, hunting and fishery (000 persons)	706.0	622.7	533.0	478.1	467.1	491.9	507.5	-
4.	Share of agriculture in total employment (%)	25.0	23.8	22.2	21.2	21.0	21.3	19.9	-
5.	Foreign-trade exchange								
6.	Export of AFP (mill.euro)	1,336	1,385	1,688	1,937	2,106	2,104	2,317	2,579
7.	Share of agriculture in total export (%)	18.0	23.2	22.8	22.9	24.1	19.1	20.8	21.4
8.	Import of AFP (mill.euro)	755	713	903	1.010	1.160	1.229	1.305	1.342
9.	Share of agriculture in total import (%)	4.6	6.3	7.3	7.1	7.9	7.9	8.4	8.2
10.	Trade balance of AFP (million euro)								
11.	Coverage of import by export (%)	176.8	194.2	186.9	191.8	181.6	171.2	177.5	192.2

This high share of agriculture in basic macroeconomic aggregates (*Table no. 1*) in regard to other EU countries can be explained by rich natural resources, favourable climatic conditions for agricultural production and sluggish structural reforming of other economic activities.

Regardless that the employment in agriculture of Serbia, absolutely observed, records a reduction rate, the share of agriculture in total employment is still extremely high, so it is among the highest in Europe with over 20%. This explains how this activity is dependent on temporary and odd (seasonal) jobs, and which are very sensitive to market fluctuations of labour, during crisis.

The Republic of Serbia imports less of agro-food products than it exports, and the coverage of import by export is higher than 76.8% in 2008, and up to 94.2% in 2009.

In the import structure of agro-food products dominates the primary agricultural products of around 62-65%, and then around 30% of agricultural products imports, and finally there imports around 5-8% of fish and fish products. It is good for every country to import less, but it is disastrously to import agro-food products, which can produce the Republic of Serbia. Unfortunately, the share of these products in total import increases and ranges from 4.6% in 2008 to 8.4% in 2014, when the share in total import was the highest.

In the analysed period (2008-2015) the share of these products in total import ranged from the lowest 18% in 2008 to the highest share of 23.2% in 2009. Unfortunately, the export structure of agro-food products of the Republic of Serbia is not satisfying, because there exports mostly the primary agricultural products (fresh or frozen raspberry, blackberry, strawberry, plum, sour cherry and mercantile maize) and they make around 75%. The export of processed agricultural products, with several stages of processing, is small, except for sugar and oil.

The produced autochthonous products, which produce on small holdings in rural areas of the Republic of Serbia, cannot export, or cannot fulfil the "6K (2Q+4C)"or they have different standards or various customs and/or non-tariff customs barriers as obstacles. However, when tourists try these specific products, from any part of the world, they seek information where and when can they buy, or they come again in those rural areas and seek for the autochthonous traditional dishes and/or drinks. There could be concluded that these autochthonous or traditional agro-food products could be very interesting subject of so called "invisible export´, through the supply of rural tourism products.

Competitiveness of the Serbian agriculture

Serbia still has relatively high share of agriculture in total gross domestic product (GDP), around 12%.

The share of agriculture in GDP of the Republic of Serbia over 10% classifies it into the transitional country.

Agricultural production of Serbia is significantly diversified, with broad lines and branches of production, from cereals, industrial plants, fodder-forage crops, vegetables, fruits, grapes, to milk and dairy products. Extremely small level of specialization in production, with a large number of AH, fragmentize agricultural production, modest production by AH, with short market chain, low level of integrity into the world market.

With around 3.3 million hectares, it is ahead of many EU countries (Denmark, Czech Republic, The Netherlands, Croatia, etc.), and especially it is ahead of the region countries (Bosnia and Herzegovina, Montenegro, Macedonia, Albania). If we look at the average areas per an inhabitant in the region, Serbia takes the first place with 0.56 ha/inhabitant, then comes Bulgaria with 0.46 ha/inhabitant, Romania with 0.43 ha/inhabitant, Bosnia and Herzegovina with 0.40 ha/inhabitant, Croatia with 0.33 ha/inhabitant, Montenegro with 0.30 ha/inhabitant, and Macedonia with 0.26 ha/inhabitant.

There are 631,522 AHs in the Republic of Serbia, according to data of the Census of Agriculture in 2012. They use 3,437.000 hectares of agricultural land, i.e. the average size of used land per a AH is 5.4 ha. Of a total number of registered AHs, 99.6% of them are family agricultural holdings (FAH) and they use 82% of the total agricultural areas.

The average FAH size is 4.5 ha and it varies from 2.1 ha in Jablanica region to over 10.0 ha in Mid-Banat region of the Republic of Serbia. The rest 0.4% of the totally registered AHs are legal entities and enterprises, which use 16% of agricultural land and have the average size of a holding of 210 ha. It means that the Republic of Serbia has a significant number of agricultural manufacturers per a hectare, which points out to a low productivity and it is not competitive.

Besides relatively small average sizes of the utilized agricultural land per a AH, a significant limitation for the efficient land use is also the fragmentation of property. There are six parcels per a AH in Serbia. As for consolidation of fragmented holdings and readjustment of farm boundaries, it goes very slowly.

The significant share Serbia has in the production of soy, over 40% of the European production, at the same time the share of all industrial cultures in the European production is modest, thanks to a small production of rape.

In the production of stone fruits and berries, Serbia participates with over 10%, and its lowest share is in cattle breeding and dairying. Serbia has the share of over 3% in the production of cereals in regard to the EU level, i.e. 0.5% in regard to the world production. In vegetable production, Serbia has relatively significant share, around 3.6%, but this production is directed to own needs satisfaction, and not for the market. When we observe the share of Serbia in the EU production, the highest share has raspberry, plum, sour cherry, and the least barley, potato, wheat and carrot.

If we observe the CEFTA region, Serbia has the biggest resources, it is the largest producer of food and it has the largest market. Of the total production in the CEFTA region, Serbia produces more than a half of industrial plants and fruits. The highest share, regarding grains, has maize, then wheat, and the lowest share have barley and oats. Buckwheat has been back on the fields of Serbia lately.

From the global level point of view, Serbia is the most competitive in the production of some fruit species, such as raspberry, cherry, sour cherry, plum and quince. Right after come maize, sunflower and sugar beet. Serbia is less competitive in the production of walnut and paprika. In regard to other products, unfortunately Serbia is not competitive.

In the production of soy, Serbia build its high competitiveness on a high-quality and on no-GMO soy, while it loses primacy due to genetically modified soy, which produces in USA, Brazil and Argentina.

Some advantages of Serbia in attracting foreign investments

Besides favourable conditions for the development of agricultural production and rural tourism Serbia has, there are also some advantages by which Serbia significantly increases the capacities for attracting investments and investors. These are: qualified agricultural manufacturers and good hosts; numerous empty residential, production and other buildings in rural areas; free and unpolluted soil; food quality and the possibility to increase the healthy-safe food production; the EU funds; regional specialization in agriculture and rural tourism; favourable trade agreements with Russia, USA, EU, Turkey, and the CEFTA countries; Danube etc. Both of these factors would significantly influence to the increased employment

Some factors are favourable for investing in agricultural production to ensure the domestic market (food safety of the Republic of Serbia) and for export on those countries which have been permanently deficient, like Russia, some EU countries and the countries of CEFTA Agreement. Those are the products which must comply with the requirements of the modern market. *Major agricultural manufacturers*, i.e. farmers who have the sufficient amounts of agro-food products for choosy world market belong to this group. The possibility of *specialization in agricultural production, favourable trade agreements especially with Russia, the EU funds and the river Danube* belong here, and by which can export these products along with relatively low costs.

The other factors are favourable for instantaneous investment in agricultural production and rural tourism, especially on *small agricultural holdings*, which have no large areas, and have favourable natural and other conditions for the development of rural tourism. *Good hosts*, who are engaged in agricultural production on their holdings, can successfully deal with the additional activity, such as the rural tourism. *Empty residential and production buildings*, which could be very interesting, with minor adaptations and renovations, for tourists from urban areas of the EU countries and other developed countries. *Unpolluted soil* is a basic condition for the production of healthy-safe food, which is increasingly demanded in high developed and wealthy countries, and there could show tourists "on the spot" how this food is produced. Serbia disposes with significant arable land, which have been cultivated at one time, and neglected now. There are also those agricultural areas, never cultivated, which could be put in order for agricultural production with small investments, especially for the production of healthy-safe food. The Republic of Serbia disposes with *top-quality autochthonous products*, which are not in large quantities for export, but it has and might offer them through meals for tourists in rural areas. These products are primarily kaymak (type of Serbian cream), various pies, fritters, cured meat (delicatessen), roast lamb and roast pork, paprika-flavoured sausage, aivar, jams, various preserves, etc.

Conclusion

The Republic of Serbia should look for its comparative specific features and advantages in regard to other countries, some EU countries and the Russian Federation in the development of agricultural production and rural tourism.

Besides land and climatic conditions, as the significant comparative advantages, the agricultural manufacturers have been a very important comparative advantage in this production in past several years. Especially big agricultural producers follow the global trends in this production and invest significantly in new technologies; they specialize, organize and connect in interest, in order to respond to demanding world market for agro-food products.

Conclusion

However, there are a large number of small agricultural manufacturers, which hasn't specialized their agricultural production, but have been recognizable by a high quality, very specific and healthy-safe food. They have the capacities, along with relatively small investments, to receive guests in their holdings and it represents the additional economic activity to them – providing the tourist services. These holdings, by expansion of economic activities in their holdings in beautiful Serbian rural areas, make significant incomes, except the stays at night income, from meals for tourists and the sale of very specific local products. In this way would increase the employment of a significant number of unemployed work-capable populations.

In other words, Serbia has also other comparative advantages for attracting investments, which would significantly change the current economic structure, especially of rural areas.

THANK YOU FOR ATTENTION

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