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Voluntary Public

Date: 4/2/2013

GAIN Report Number: RB1303

Serbia

Post: Belgrade

Serbia Adopts Law on Incentives for Agriculture Production

Report Categories:

Agricultural Situation

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Report Highlights:

In January, the Serbian Parliament adopted a new Law on Incentives for Agriculture Production and Rural Development that will set the minimum guaranteed annual amounts for incentives in these important areas. The law envisions three groups of government incentives including direct payments, rural development payments and specific incentives. The Law also dictates that the agriculture budget not be less than 5 percent of Serbia's total budget. In February, the Serbian Government adopted a Rulebook on Payment of Agriculture Subsidies, specifying the exact amounts that will be paid in 2013.

General Information:

In December 2012, the Serbian Government adopted the 2013 national budget. According to the Serbian Ministry of Agriculture, the total CY 2013 agriculture budget is set at 45 billion dinars (529 million USD). Serbian agriculture will receive 4.5 percent of the total Serbian budget, an increase of 22 percent compared to last year's 3.7 percent.

In January, 2013, the Serbian Government adopted a Law on Incentives for Agriculture Production and Rural Development ("Official Gazette RS" 10/13), after three months of public discussion. This new law sets the minimum guaranteed annual amounts for incentives in agriculture and rural development. The goal of this law is to help direct long-term agricultural policy, reduce the ability of special interest groups to subvert long term agricultural goals, and to help registered farmers and investors with their financial planning. The law also dictates that in the future years the agriculture budget should not be less than 5 percent of Serbia's total budget.

The law envisions three groups of government incentives:

1. Direct payments (i.e. production subsidies, compensation for agriculture inputs, and credit support);
2. Rural development payments (i.e. incentives to improve agricultural competitiveness and investments in sustainable rural development); and,
3. Specific incentives (i.e. funds to develop a market-information system in agriculture, provide extension services, and support science-based projects in agriculture).

In February, 2013, the Serbian Government (as a follow up to the Law on Ag Subsidies) also adopted the Rulebook on Payment of Agriculture Subsidies ("Official Gazette RS" 20/13). In this Rulebook, the Serbian Ministry of Agriculture specified the exact amounts that will be paid as direct payments, rural development payments and specific incentives.

The Law envisages equal subsidies for those owning and for those leasing land, regardless of their ownership status. According to the law, farmers that want to receive state subsidies must be registered with the Ministry of Agriculture and crop subsidies can be paid only for a maximum 100 HA of arable land.

The Ministry of Agriculture will set aside about 28 billion dinars (329 million USD) of the total agricultural budget for different direct payments (subsidies). The subsidies for crop production are set at 10.5 billion dinars (124 million USD) and will mainly consist of a payment of 6,000 dinars/HA (71 USD/HA) that will be paid per plant production surface. Also the Ministry will support farmers with additional payments of 6,000 dinars/HA (71 USD/HA) for diesel fuel. Approximately 7.8 billion dinars (92 million USD) have been set aside to support spring planting.

Also, the Ministry will pay significant milk subsidies, including an additional premium for extra class

milk. The amount of money set aside for milk subsidies is 4.4 billion dinars (52 million USD) or 7 dinars/liter of milk (0.08 USD/liter). Last year about 35 percent of national production qualified as extra class and met the EU standards. The Ministry also will pay significant subsidies for cattle breeding, dairy cattle and for other types of designated herds. A total of 4.3 billion dinars (50 million USD) has been earmarked for 2013 for production supports for dairy cattle, sheep, swine, poultry and turkey. The Ministry will pay 20,000 dinar/per milking cow (235 USD/per milking cow), up to a total of 30 million dinars (353,000 USD).

The Ministry of Agriculture also is preparing to sign contracts with commercial banks to subsidize the interest rates for short-term commercial loans to agricultural producers. From the budget, the Serbian Government will set aside 500 million dinars (5.9 million USD) to subsidize interest rates. The goal of these loans is to help farmers during the planting season to finance purchases of the necessary agricultural inputs. The Serbian Government will put aside 100 million dinars (1.2 million USD) to assist farmers in storing their crops in public storage facilities to help farmers maximize the profits from the sale of their products, instead of having to sell immediately after the harvest. Also the Rulebook includes 400 million dinars (4.7 million USD) to subsidize crop insurance. Only about 4 percent of all farms in Serbia are insured, even though the Serbian Government program has been around since 2004 and subsidizes 40 percent of the insurance premium for registered farmers.

For CY2013, the Serbian Ministry of Agriculture will use 1.2 billion dinars (14 million USD) of the agriculture budget for incentives in rural development. This will include investments in agricultural production (especially in new orchards, vineyards and hop production), investments in processing and marketing of agricultural products, and assistance for sustainable rural development. There will be 200 billion dinars (2.3 million USD) in subsidies for organic production and to improve overall rural economic development in Serbian villages (rural infrastructure and some non-agriculture activities like rural tourism).

There will be 556 million dinars (6.5 million USD) in special incentives, of which almost half is earmarked for the extension service (260 million dinars or 3 million USD) and the other half (296 million dinars or 3.5 million USD) is intended for breeding programs, scientific and development work, capacity building and education and seed production/certification.

In order to receive state agricultural subsidies, Serbian farmers must register with the Ministry of Agriculture by March 31, 2013. The Serbian Ministry of Agriculture must have all the ordinances prescribing the payment process and conditions in place by May 1, 2013. Until these ordinances are completed no 2013 payments will be made. Reportedly Serbia's farmers remain concerned about the 2013 agricultural subsidies, especially relating to planting and diesel fuel, as these supports have been delayed and many farmers have had to finance the spring planting using their own funds.

The Serbian Ministry of Agriculture also has earmarked about 656 million dinars (7.7 million USD) for state owned companies involved in agriculture and for settling debts from the prior years. Approximately 4.7 billion dinars (55.3 million USD) will be set aside from the agriculture budget for the Agency for Agrarian Payment to cover outstanding subsidies and costs from previous years.

