



Linking Farmers to Market in the Western Balkans: an Unfinished Job

Nancy Cochrane
Economic Research Service
USDA
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We will look at Serbia, Montenegro,
Bosnia and Macedonia

- The legacy—positive and negative
- Progress since 2000
- But progress is uneven—many regions are lagging
- Institutional barriers to growth
- The future lies with the EU



The legacy of Yugoslavia—the positive

- Private land ownership
- Active trade with the West during the 1980s, with significant exports of
 - Baby beef
 - Raspberries
 - Grains
- Some orientation to the market



The negative...

- Ten years of war and sanctions led to deterioration of capital stock
- The socialized kombinats were inefficient, subsidized, operated on soft budget constraint
- Socialist mentality—we want guaranteed prices and guaranteed markets
- Land fragmentation, lack of clear ownership



In the old days

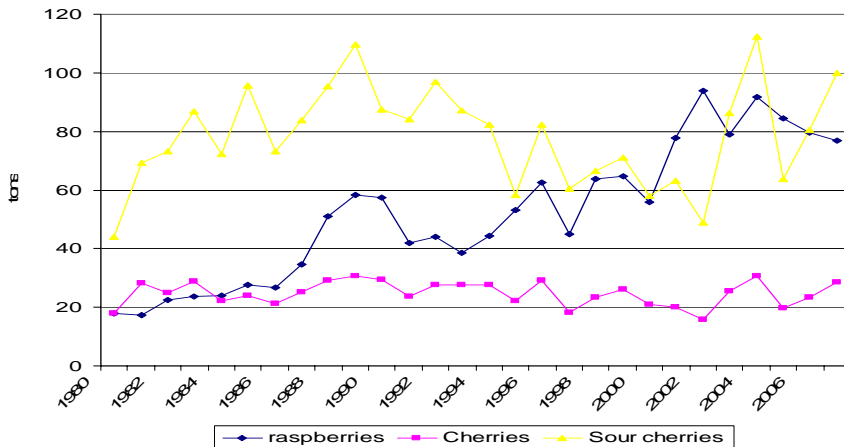
- Serbia and Croatia were the major agricultural producing regions
- Other republics relied on white elephant industry and were net food importers
- This industry has closed down and these regions have reverted to subsistence agriculture



And what now? Serbia is emerging again

- Net agricultural exporter
- Exports to EU are growing
 - Seven slaughterhouses are licensed to export to the EU
 - Baby beef exports are growing
 - Raspberry market was never lost
- Many former kombinats have been privatized and are once again profitable

Serbia: Sour cherry and raspberry output is growing

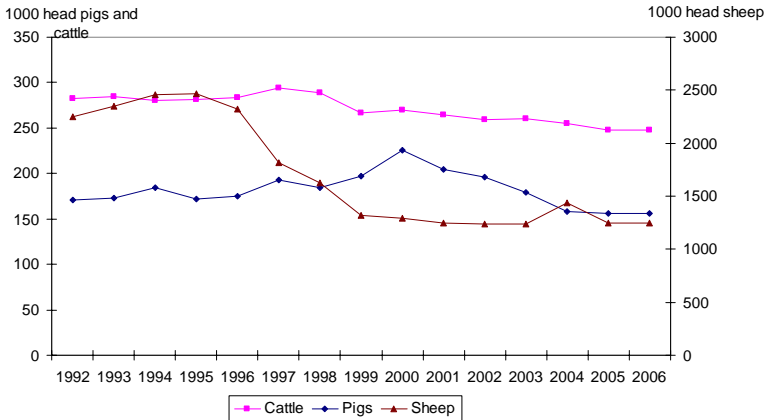


Source: Serbian Office of Statistics

But Bosnia and the other countries are overwhelmed with imports from Serbia

- In the old days Bosnia, Macedonia and Montenegro were food deficit
- White elephant industry closed down
- Leaving population to rely on subsistence agriculture
- And they are still net food importers
 - Cattle from Serbia
 - Processed foods from Serbia, Croatia, Slovenia

Macedonia: Animal numbers continue to decline



And Serbia itself is diverse

- Vojvodina is a powerhouse
- Central Serbia is reviving its fruit industry
- But other regions are lagging
 - Farms in south are very small and fragmented
 - Farmers do not participate in the market
 - "Svastarenje" still rules
 - Villages are depopulating
- And Serbia has underfilled its EU beef quota because of quality problems

Serbia: cattle numbers variable but generally declining



Source: Serbian Office of Statistics and Serbian Ministry of Agriculture

And in the other countries most farmers are not integrated into markets

- Macedonia
 - Large slaughterhouses produce their own pigs rather than buy from farmers
 - Small farmers produce for own needs or sell to small slaughterhouses
- Montenegro
 - Goranovic slaughterhouse buys cattle from Serbia, insufficient supplies in country
 - Many high quality products in north never reach the tourist areas

What are the issues?

- Infrastructure—poor roads, inadequate or disorganized irrigation, undeveloped wholesale markets
- Lack of investment—old varieties, old trees, use of own rather than certified seed
- Quality standards, food safety, animal health



Issues continued...

- Fragmented land ownership, thin land markets
- Lack of market information
- Inadequate collection and reporting of basic statistics
 - RS in Bosnia doesn't know how land is actually being cultivated
 - Montenegro—no data on raspberry production
- No strong tradition of modern farmer cooperatives
- Need for stronger farmer training

Haphazard, ad hoc policy making based on poor information

- Serbia
 - Most policy is in right direction towards decoupling
 - But export ban
 - And Ministry has no idea if support is effective
- Montenegro
 - Complex array of per head payments for cattle
 - Investment subsidies for raspberry growers
- Bosnia—each entity, each canton has its own set of subsidies aimed at boosting production and reducing imports
- Each country tends to rely on protectionist measures to keep out their neighbors' products

But things aren't all bad...

- Agribusiness is growing
- Exports to EU are increasing
- Growing number of successful commercial farmers
- Better situation than in Bulgaria or Romania





And the future lies with the EU

- EU membership will bring higher farm income, more investment
- Farmers and agribusiness can tap rural development funds to finance investments in higher quality production



But...

- Open borders will bring more competition
- EU will impose strict quality, food safety, animal welfare regulations, and many smaller plants will have to close
 - That could leave those Macedonian pig farmers without any markets
- It is not so easy to access EU rural development funds