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Serbian Government Adopted the New System of Crop Subsidies

Report Categories:

Agricultural Situation

Approved By:

James Dever

Prepared By:

Tatjana Maslac

Report Highlights:

On March 28, the Serbian government adopted a new system that will pay crop subsidies by production, rather than by area, as they have been for the past four years. The government will pay subsidies for grains, oilseeds, sugar beet, potatoes, and tobacco production. As a result, a number of farmers protested by blocking roads for three days, mostly in Vojvodina. Farmers are criticizing the Ministry of Agriculture for delayed announcement of the new agriculture measures, which it made after the spring planting season started.

General Information:

On March 28, the Serbian government adopted decree on the new system of crop production subsidies for CY2012. Payment of production subsidies will be per delivered kilogram of agriculture goods instead of the payment per hectare, as has been the case for the past four years. The total budget for these subsidies is set at 22 billion dinars (\$275 million), about 20 percent more than in CY2011. Only registered farmers will be able to receive these funds. Payment of subsidies will not be made directly to the farmers (as it was in the past), but through legal entities or entrepreneurs that are engaged in the production, purchase, processing and warehousing of subsidized crops. These entities must submit requests for payment by January 2013 to the Ministry of Agriculture.

Subsidies are set at 3 dinars/kg (\$37.5/MT) for soybean, sunflower, and rapeseeds, and 0.5 dinars/kg (\$6.25/MT) for sugar beet. Subsidies will be 1 dinar/kg (\$12.5/MT) for grains (including wheat, corn, barley, rye, oats, triticale and buckwheat), 0.6 dinar/kg (\$7.5) for potatoes, and 20 dinars/kg (\$250/MT) for tobacco.

According to the Ministry of Agriculture, the reason for changing the system of production subsidies is provide an incentive to increase yields and thereby increase total agriculture production and exports.

More registered farmers will be able to use these incentives since the government removed the requirement that farmer that receive subsidies must pay social and pension funds. With the new subsidy payment system, the Ministry of Agriculture expects farmers will have an incentive to produce and deliver more commodities to the food processing industry. The Ministry expects that at least 200,000 registered Serbian farmers to use the new production subsidies. Serbia has about 700,000 farms, of which about 450,000 farmers are registered with the Ministry of Agriculture.

For the past four years, the Serbian government paid farmers a planting subsidy of 14,000 dinars/Ha (\$175/Ha). The maximum area that could receive the subsidy was 100 Ha. Of the total subsidy of 14,000 din/Ha (\$175/Ha), farmers were able to use 4,000 din/Ha (\$50/HA) to purchase certified seeds, 4,000 din/HA (\$50/Ha) for diesel fuel, and 6,000 din/Ha (\$75/HA) for fertilizers. During the past four years, only 75,000 farmers or 10 percent of the total number of farmers in Serbia received government support because of the condition that only registered farmers who are regularly paying the pension and health fund to the state can receive subsidies.

Following the announcement the change, a number of farmers protested by blocking roads for three days, mostly in Vojvodina. Farmers criticized the Ministry of Agriculture for delaying the announcement until after the spring planting season had started. Farmers believe the change in payment will only help processors who will reduce prices at which they buy crops by exactly the amount of the subsidies. Most of the farmers who protested are larger farmers from Vojvodina that have up to 100 Ha of land and were receiving government subsidies for the past four years. Vojvodina farmers traditionally have much larger farms than those in Central and South Serbia. As a result, about 70 percent of the total subsidies paid in previous, which were paid by area, went to Vojvodina farmers, who are already the most developed in the country and do not need government support as much as farmers in the other parts of Serbia.

On March 31, after three days of protests and after meeting with the representative of the Serbian

government, farmers stopped protesting in a number of cities in Vojvodina. Farmers are threatening to start new roadblocks on April 24, if their request to return to the previous model of paying production subsidies per hectare is not met by then.