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Serbia

Exporter Guide

Exporter Guide

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Report Highlights:

Agriculture and food production in Serbia is the most important export sector, accounting for over 10 percent of the country's GDP and 20 percent of all exports. The Serbian market offers good opportunities for U.S. exporters of consumer oriented agriculture products. In the period January-October 2018, total U.S. exports of agriculture products to Serbia reached \$20.7 million. The largest segments were almonds, corn, sunflower seeds, vegetable planting seeds, dietetic foods and concentrated proteins without dairy fats, alcoholic drinks, frozen fish and seafood, and snacks and fruits. This report provides U.S. food and agriculture exporters with background information and suggestions for entering the Serbian market. It was updated in December 2018.

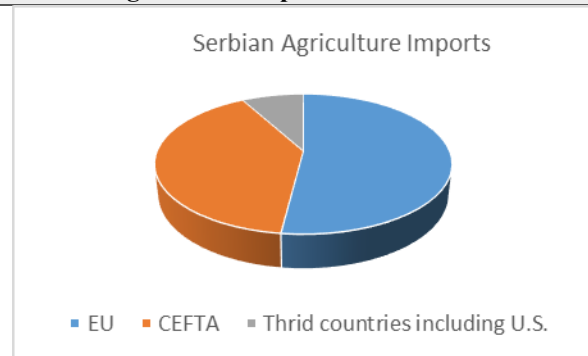
Post:
Belgrade

Market Fact Sheet:

Executive Summary

Serbia is ranked 48 among 190 economies on the ease of doing business, according to the latest World Bank annual ratings. For 2018, projected GDP will reach \$45 billion. Serbia is a developing economy country with its own strong agriculture and food industry contributing over 10 percent to GDP. It is expected that GDP growth will be approximately 4.3% in 2018. Average annual inflation is expected to pick up to 2.5 percent. Serbia has free trade agreements with the European Union, Turkey, the Customs Union (Russia, Kazakhstan, and Belarus). It is also a signatory to the Central European Free Trade Agreement (CEFTA). In the period January-October 2018, Serbia's total agro-food exports reached a value of \$2.56 billion, a 6.7 percent increase from the same period in 2017. Total agro-food imports into Serbia for the period January-October 2018 were valued at \$1.5 billion, an increase of 20 percent compared to the same period in 2017.

Serbian Agriculture Imports



In the period January-October 2018, agro-food imports were \$1.5 billion, a 6 percent decrease compared to the same period in 2017. Over 50 percent of imports come from EU member states and 40 percent from CEFTA member countries. Total U.S. agro-food exports to Serbia for the period January-October 2018 were valued at \$20.7 million, unchanged from the same period in 2017. One of the

major obstacles to increasing U.S. market share in Serbia is a 5-30 percent customs import tax levied at port, compared to zero import taxes for products coming from countries with whom Serbia has signed free trade agreements. Major commodities imported from the United States: almonds (\$2.7M), consumer oriented products (\$2.3M), whisky bourbon (\$1.5M), planting seed (\$1M).

Food Processing Industry

Serbia is the largest agricultural market in the Western Balkans with a strong tradition in agricultural production and food processing. The food processing industry accounts for approximately one third of the entire processing industry in Serbia. Currently, more than 5,000 food business are operating in the country. Approximately 95 percent are micro, small or medium-sized enterprises. The industry employs around 65,000 people and is one of the rare examples of industries that have not been hit adversely by the economic crisis in the past years. The largest subsectors by value are dairy, meat, fruits, vegetables and confectionary industry.

Food Retail Industry

Retail turnover in the Serbian market is approximately \$6 billion a year, which represents a rather small market. Foreign retail chains hold over 80 percent of the total retail market. The retail market is mostly divided between Dutch-owned Delhaize (owner of retail chains Maxi and Tempo) and Croatian Agrokor (owner of retail chains Idea, Roda and Mercator). Other international retail chains include Germany's Metro and Lidl and Greece's Super Vero. The following domestic retail chains represent only some 20 percent of the Serbian market: Dis, Univerexport and Gomex. More than 50 percent of all food products are still sold through small grocery shops (estimated to number close to 30,000).

Quick Facts CY 2018

Imports of Ag and Consumer-Oriented Products:

USD 19.0 billion

List of Top 10 Growth Products in Serbia

- | | |
|-----------------------|------------------------|
| 1) Meat/meat products | 6) Sugar confectionary |
| 2) Fish & Seafood | 7) Pasta |
| 3) Snack food | 8) Tree nuts |
| 4) Dairy products | 9) Distilled beverages |
| 5) Coffee and tea | 10) Bovine Semen |

Food Industry by Channels (USD billion)

Food Industry Output	\$9.2
Food Exports	\$2.56
Food Imports	\$1.5
Food Inventory	443 kg/capita
Domestic Food Retail	\$4.0
Food Service	\$2.8

Food Industry Gross Sales

Domestic Food Market: USD 3.1 billion

Top 10 Serbian Retailers

- | | |
|-------------|-----------------|
| 1) Maxi | 6) Tempo |
| 2) Roda | 7) Univerexport |
| 3) Idea | 8) Gomex |
| 4) Merkator | 9) Aroma |
| 5) Lidl | 10) DM |

GDP/Population

Population (millions): 7

GDP (USD billion): 40.25

GDP per capita (USD): 5,225 (2017)

Serbian Market Advantages and Disadvantages

Strengths	Weaknesses
Serbian consumer-ready food imports are increasing.	Serbia is not a member of WTO and the US has no tariff advantages.
International retail chains have become more prevalent.	U.S. products tend to be higher priced than CEFTA, Russia, Turkey, Belarus, Kazakhstan products that enjoy preferential market access.
Opportunities	Threats
Serbia has shortages of some agricultural products (beef, pork, poultry, soybean meal, almonds, snack food, beans, seeds, fish, and seafood).	Serbia conducts most of its trade with nearby countries. Long distance and high shipping costs put U.S. products at a disadvantage compared to EU and CEFTA sourced products
Serbia needs new seed varieties of crops and vegetables.	Serbia continues to ban biotech products, but the U.S. share of crop and vegetable seeds is increasing.

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Section 1. Detailed Market Overview

Economic situation

Macroeconomic trends in Serbia were generally favorable in 2018. The year-on-year GDP growth was relatively high (4.8 percent), inflation and the current account deficit were low and stable (1.8 percent year-on-year inflation and 2.5% of GDP current account deficit).

Employment growth was moderate, credit activity slowly revived with a sharp reduction in non-performing loans, and the state budget was in surplus with a gradual reduction of public debt. Serbia achieved economic growth of 4.9% in the first half of 2018 that was the largest economic growth registered since the outbreak of the crisis at the end of 2008. It is expected that GDP growth will be approximately 4.3 percent for 2018 and between 3.5 percent and 4 percent in 2019.

The unemployment rate stagnated at approximately 11.9% in 2018, nearly unchanged from the same period in the previous year. The average net wage in 2018 amounted to about 49,500 dinars (\$500), an increase of 6.4 percent year-on-year.

Serbia has been in the accession process for full membership into the European Union (projected year 2025) since 2014. The country has opened 15 of 35 EU Acquis chapters in order to harmonize its regulations in different sectors of the economy and general political structure with EU regulations. In 2018, Serbia opened Chapter 13 (Fisheries) with the European Commission (EC) and also completed two main recommendations given by the EC for Chapter 11 (Agriculture and Rural Development) to secure accreditation of its Payment Agency and functioning of the Payment Agency. This accreditation will allow Serbia to access EU funds for 2014-2020 valued at \$206.5 million.

Overall Business Climate

Serbia's open economy and strategic geographical location make it an attractive destination for investments and exports. Serbia's easy access to both EU and non-EU markets, highly skilled and educated work-force, and sound infrastructure have led global companies to locate manufacturing and service facilities there (see Serbia's Country Commercial Guide https://www.export.gov/article?series=a0pt0000000PAunAAG&type=Country_Commercial_kav).

Recent Trends

Local and regional media frequently publish articles detailing consumers' perceived (and actual) discrepancies in the quality of identically branded food products sold in Western Europe and Serbia. Worries about ingredients and lower quality also have strong influence on buyers' confidence in import products. This so called "dual ingredient" issue was common in Central and Eastern European countries. Most consumers adjust their eating habits and diet for health reasons, as health consciousness is increasing. Therefore, a slight growth was observed in the consumption of hypoallergenic and organic food products, but price sensitivity is still among the most influential factors affecting purchasing decisions.

Advantages	Challenges
Strengthened Serbian dinar makes imports cheaper.	Import duties favor companies in the region.
Urban populations continue to grow and generally have higher incomes.	The Serbian market is relatively small and price sensitive.
During the EU accession process and transition period before tariffs are eliminated there may be market opportunities for U.S. products if immediate steps are taken to secure those markets.	Serbia is a member of CEFTA and has entered into free trade agreements with Russia, Kazakhstan, Belarus, and Turkey, thus these countries already enjoy preferential access for their agricultural products.
Serbia does not produce rice and certain fruits and vegetables.	The regulatory process can be cumbersome.
Serbia is a member of Codex, OIE, UPOV, FAO, and OECD, all of which are organizations that have agendas generally complementary to U.S. trade interests and priorities.	Given Serbian aspiration to accede to the EU, Serbia is likely to support EU positions in these venues even before it fully becomes an EU member.
Serbia has huge demand for the U.S. animal genetics under very low custom tariffs.	Serbian purchasing power is modest.

Section 2. Exporter Business Tips

Market Access

The Foreign Trade Law (“Official Gazette RS” No.36/09, 36/11, 88/11 and 89/15), <http://mtt.gov.rs/en> regulates foreign trade. The flow of goods designated for import is supervised by the Serbian Customs authorities. Customs supervision generally ends when goods are customs cleared and import duties paid, although special customs procedures exist for customs warehousing, inward processing relief, and transit.

Serbian regulations do not impose significant restrictions on foreign trading. However, there are some restrictions on the import of certain types of goods, i.e. import licenses are required for certain pharmaceutical substances, meat products, animals, precious metals, arms and dual-use goods. Furthermore, restrictions are imposed on import/export payments and collection operations as defined by the Law on Foreign Exchange Operations.

Local business customs

U.S. food exporter should focus on establishing their business relationship with a reliable and efficient importer and distributor. Identify the appropriate distribution and sales channels. U.S. exporters and Serbian importers could expand trade by strengthening confidence through visits of U.S. exporters/manufactures to Serbia, exploring opportunities firsthand, and meeting with relevant Serbian importers. A contact list of Serbia’s major food supermarkets, importers, wholesalers and distributors by sector is available upon request from FAS Belgrade Office to potential U.S. exporters. Large food retail chains like Delhaize, Agrokor, and Lidl have their own purchasing and importing division to handle food imports directly. U.S. suppliers should initially contact the purchasing/importing divisions of these large food chains, especially for

new-to-market food products. U.S. exporters should consider the price sensitiveness of their customers, their product requirements, purchasing policies, and expected purchase volumes.

General Consumer Tastes and Preferences

According to Serbian Statistical Office, the average Serbian consumer spends 52 percent of his/her monthly income on food, compared to the average EU consumer who only spends 18 percent of his/her income on food. Most Serbian consumers view price as the primary factor when purchasing food and beverages. Large supermarket chains have become more popular as the main food sales point over the last ten years. Customers generally purchase food once or twice a month from these outlets. Due to rising food prices and the weak purchasing power of many Serbian consumers, some consumers are also returning to their neighborhood corner shops to make daily purchases of staple foods. Perishable foods, fruits, vegetables, bread and fresh meat are mostly sold at specialized stores or green markets.

Distribution Channels

Supermarket and hypermarket expansion in Serbia over the past 15 years has brought limited benefits to consumers and small suppliers like farmers. Retail turnover in the Serbian market is approximately \$4 billion a year, which represents a rather small market. If Serbia's retail turnover is calculated per square meter of retail space compared to neighboring. An analysis by Serbia's Economic Institute for the period 2000-2017 reveals a significant increase in retail prices for many product categories. There are a number of foreign retail chains in the Serbian market, primarily regional players, and several international players such as Delhaize, and most recently Lidl. Foreign retail chains hold over 80 percent of the total retail market. The retail market is mostly divided between Dutch owned Delhaize (owner of retail chains Maxi and Tempo) and Croatian Agrokor (owner of retail chains Idea, Roda and Mercator). Other international retail chains present include Germany's Metro and Lidl and Greece's Super Vero. The following domestic retail chains represent only 20 percent of the Serbian market: Dis, Univerexport and Gomex.

Labeling and Marking

In March 2018, the Ministry of Agriculture adopted amendments on the Rulebook on Declaration, Labeling and Marketing of Food ("Official Gazette" RS No. 16/18). The rulebook was originally to be fully implemented beginning on June 15, 2018 ("Official Gazette" RS No. 19/17). According to the newly adopted amendments, implementation is delayed until December 31, 2018. The rulebook requires nutritional labels with more information on all food products in order to protect public health.

Section 3. Import Food Standards and Regulations

Goods imported into Serbia are subject to customs duty rates provided in the Law on Customs Tariff ("Official Gazette RS" No.115/12, 130/14, 98/15 and 97/16) or

<http://www.upravacarina.rs/en/Zakoni%20engleski/SR-Customs%20Tariff%20Law-EN-2009.pdf>) and the Decree on "Harmonization of Customs Tariff Nomenclature ("Official Gazette RS" No.98/15),

<http://www.upravacarina.rs/cyr/PoslovnaZajednica/Stranice/Carinskatarifa.aspx> . These rates are ad valorem (with certain exceptions) and apply on goods originating in countries, which have Most Favored Nation (MFN) status with Serbia. Effective January 1, 2014, per Serbia's

Stabilization and Association Agreement with the European Union (SAA), approximately 95 percent of all EU agricultural imports became duty-free. All other items now have an average duty rate of 0.99 percent, although the rate is significantly higher on certain sensitive agricultural commodities.

Serbia's customs authorities also assess excise duties on oil derivatives, live cattle, tobacco products, alcoholic beverages and coffee (green, roasted and ground coffee and coffee extracts). Excise duties in Serbia are either specific (for oil derivatives, alcoholic beverages, cigars and cigarillos), ad valorem (for coffee and pipe tobacco), or combined (for cigarettes - specific + ad valorem on retail price). VAT is payable on all imports, assessed together with customs duty. For most types of goods, the general VAT rate of 20 percent applies, calculated on the customs value and inclusive of customs and excise duty (if any). For the importation of certain goods (e.g. fruit and vegetables, meat, cereals, pharmaceuticals) the reduced VAT rate of 10 percent is applicable.

For more detailed import standards and regulations please refer to FAS Belgrade's 2017 Food and Agriculture Import Regulations and Standards (FAIRS), Narrative and Certification report that can be downloaded from web page:

<http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>.

Section 4. Market Sector Structure and Trends

Market Opportunities for Consumer Food Products:

Despite these challenges, there are market opportunities for high quality U.S. products because of growing consumer awareness in Serbia.

Serbia has free trade agreements with the European Union, Turkey, the Customs Union (Russia, Kazakhstan, and Belarus). It is also a signatory to the Central European Free Trade Agreement (CEFTA). According to Serbia's Customs Office, Serbia's trade deficit for the period January-October 2017 was over \$4.6 billion or 44 percent higher than in the same period in 2017 (\$3.2 billion). For the period January-October 2018, Serbia exported goods valued at \$14.5 billion and imported goods valued at \$19 billion (20 percent higher than in the previous year due to strong domestic currency, cheaper imports and high export prices). The EU remained Serbia's most important trade partner, accounting for over half of foreign trade, followed by CEFTA countries.

Serbia's total agro-food exports from January to October 2018 reached a value of \$2.56 billion – a 6.7 percent increase over the same period in 2017. Agriculture is the most important export sector, accounting for over 20 percent of all Serbian exports and enjoying a trade surplus of \$1.1 billion in January - October 2018. In 2017, total agro-food exports were \$3.2 billion, 7 percent higher than in 2016. Agro-food imports were \$1.5 billion, a 6 percent decrease compared to the same period in 2017. Since 2001, Serbia's agricultural exports have enjoyed preferential EU and CEFTA access. Exports consist mainly of grains, sugar, fruits and vegetables (fresh and frozen), confectionary products and beverages.

Best High Value Product Prospects

Product Category	Total Imports to Serbia (Million \$)	U.S. potential share of the total imports	Key Constraints	Market Opportunities
Coffee and Tea	37	30%	Strong competition from South America, Africa, India and Vietnam.	Growing market and demand for greater variety and higher quality.
Grains and Vegetable Seeds	90	30%	Strong competition from domestic Seed Institutes and EU companies.	Growing demand for higher quality of new varieties of seeds to achieve higher yields and higher quality products.
Wine	32	10%	Strong competition from EU and CEFTA countries at lower price point.	Growing market for higher end wines as Serbian living standard increase.
Protein concentrates	20	37%	Lack of familiarity with U.S. products.	Growing demand and interest in new products.
Pet Food (Dog & Cat Food)	25	30%	Competition from EU/CEFTA countries and U.S. franchises in the EU.	Serbia has very limited production of pet food. Consumption of pet food is expected to grow as Serbians are having more pets than before.
Fish & Seafood	45	20%	Competition from EU sources.	Demand and consumption is increasing along with changing eating habits and growth in restaurant and tourism business.
Snack Foods	70	25%	Strict biotech legislation and significant competition from EU and CEFTA.	Market that will continue to grow with demand for new products.

*Tariff rates can be found at www.carina.rs

Section 5. Agricultural and Food Imports

Agricultural trade with the United States

Total Serbian imports from the United States for the period January-October 2018 were \$193 million (20th position), a drop of 25 percent compared to the same period in 2017. Total agro-food imports from the U.S. to Serbia for the period January-October 2018 were valued at \$20.7 million, same as in the same period in 2017. One of the major obstacles to increasing U.S. market share in Serbia is a 5-30 percent customs import tax levied at port, compared to zero

import taxes for products coming from the European Union, CEFTA countries and other countries with whom Serbia has signed Free Trade Agreements.

U.S. agro-food exports consisted mainly of almonds, corn, sunflower seeds, vegetable planting seeds, dietetic foods, and concentrated proteins without dairy fats, alcoholic drinks, frozen fish and seafood, snacks and fruits. The long-term forecast for these products is that they will continue to grow. In the medium term, Serbia is also likely to increase imports of planting seeds, fish and fishery products, and poultry meat for processing, high-value consumer products, and beverages. Possibilities also exist for the expansion of U.S. exports of high value products such as tree nuts, raisins, snacks, beverage concentrates, planting seeds and seedlings, bovine semen and embryos, flavors, and fragrances.

In the period January-October 2018, agro-food exports from Serbia to the U.S. was \$29.7 million, increase of a 10 percent comparing with the same period in 2017. In the period January-October 2018, Serbia enjoyed a \$9 million surplus in agricultural trade with the United States. The main agricultural imports from Serbia include almonds, yeast, frozen vegetables, fruit juices, confectionary products, brandy, processed fruits (jams, puree, and jelly), sweet corn, coffee, wine, cheese, mineral water and bakery products.

According to the USDA BICO Reports exports of U.S. agriculture and food products is smaller than according Serbian Official Customs Data, due to lots of transshipments in EU countries that BICO is not registering being exported from the U.S. to Serbia.

Top Serbian Imports from United States, in thousands U.S. Dollars according to BICO Report 2014-2018

SERBIA IMPORTS OF AGRICULTURAL, FISH & FORESTRY PRODUCTS FROM UNITED STATES (BICO DATA) CY 2014 - 2018 AND YEAR-TO-DATE COMPARISON					
	CALENDAR YEARS (JAN-DEC)				
PRODUCT	2014	2015	2016	2017	2018
CONSUMER-ORIENTED AGRICULTURAL TOTAL (in thousands of dollars)	5,000	4,800	3,700	4,400	3,400
Snack Foods NESOI	40	10	19	30	12
Distilled Spirits	1,000	1,400	1,500	1,800	2,300
Protein Concentrate	1,500	1,200	870	470	600
Food Ingredients	900	750	750	760	700
Chocolate & Cocoa Products	6	3	20	40	25
Processed Fruits	1,000	600	500	1,100	600
Edible Oils	20	70	20	20	30
Tree Nuts	1,000	700	200	500	600
Prepared Food	1,000	700	600	800	300
AGRICULTURAL RELATED PRODUCTS	1,000	1,900	1,700	1,900	2,400

TOTAL (in thousands of dollars)					
Distilled Spirits	1,000	1,400	1,500	1,800	2,300
Fish Products	0	400	200	100	0
Forest Products	0	100	0	0	100
AGRICULTURAL PRODUCT TOTAL (\$ thousands)	15,000	18,400	15,000	19,400	14,800
AGRICULTURAL, FISH & FORESTRY TOTAL (\$ thousands)	16,000	20,400	16,700	21,300	17,100

Top Imports from United States, in thousands U.S. Dollars according to Serbian Customs Office 2014-2018

HS Code	Commodity	2014	2015	2016	2017	2018
802120000000	Almonds	5,570	4,000	2,700	2,500	2,800
210690929080	Snack food	3,180	2,800	2,100	1,700	2,300
220830110080	Whisky Bourbon	1,450	1,800	1,500	1,400	1,500
120991800000	Vegetable Seed	1,200	720	810	730	630
030366190000	Hake (frozen fillets)	650	750	520	460	420
071333310000	Beans	720	770	120	164	380
120600100000	Sunflower Seed	270	500	510	460	300
303110000000	Salmon Sockeye (red) frozen	240	250	250	230	240
160430900000	Canned fish	280	250	120	170	280
200819930000	Pistachios	290	150	85	100	130
120241000000	Peanuts (in-shell)	150	120	280	220	240
220421400000	Grape Wine	30	35	33	25	30
200893930000	Cranberries	120	100	55	40	54
220300010000	Beer	20	30	28	24	26
350400100000	Protein Isolates	10	5.2	3.3	2.7	3.1

Section 6. Key Contacts and Further Information

FAS/USDA Belgrade

U.S. Embassy Serbia

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