

**Required Report:** Required - Public Distribution

**Date:** April 15, 2021

**Report Number:** RB2020-0014

**Report Name:** Exporter Guide

**Country:** Serbia

**Post:** Belgrade

**Report Category:** Exporter Guide

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**Report Highlights:**

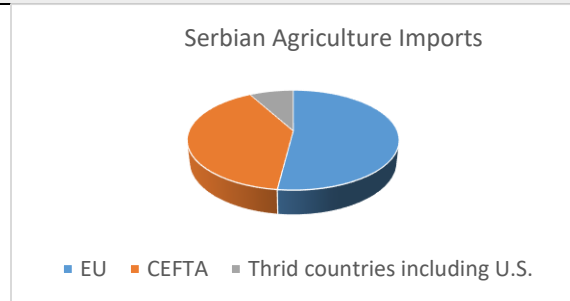
Agriculture and food production in Serbia is the most important export sector, accounting for over 10 percent of the country's GDP and 20 percent of all exports. The Serbian market offers good opportunities for the U.S. exporters of the consumer-oriented agriculture products. In the period January-October 2020, the total U.S. exports of agriculture products to Serbia reached \$18.67 million. The largest segments were starch, almonds, whisky bourbon, tobacco, pistachio, peanuts, vegetable planting seeds, juices and extracts from hops, sweet potato, dietetic foods, concentrated proteins, snack food, fish and sea products. This report provides the U.S. food and agriculture exporters with background information and suggestions for an entering the Serbian market. This report's statistical data was updated as of October 2020.

## Market Fact Sheet:

### Executive Summary

Serbia is ranked 44 out of the 190 economies on the list of conducting business, according to the latest World Bank (WB) annual ratings. Due to the COVID-19 crisis, Serbia's projected GDP for 2020 is expected to decline by 1.5% and thus estimated to reach \$51.4 billion. Serbia is a developing economy country with a strong agriculture and food industry, which contributes over 10 percent to GDP. According to WB, it is expected that Serbia's GDP growth will be approximately 2.9% in 2021. The average annual inflation is expected to increase to 2%. Serbia has free trade agreements with the European Union, Turkey, and the Eurasian Economic Union (Russia, Kazakhstan, Belarus, Armenia, and Kyrgyzstan). It is also a signatory to the Central European Free Trade Agreement (CEFTA). For the January-October 2020 period, Serbia's total agro-food exports reached a value of \$3.37 billion, a 12.4% increase from the same period in 2019. Total agro-food imports into Serbia for the January-October 2020 period were valued at \$1.86 billion, an increase of 10.2% compared to the same period in 2019 with a registered \$1.5 billion of surplus.

### Serbian Agriculture Imports



In the January-October 2020 period, agri-food imports were \$1.86 billion, a 10.2% decrease compared to the same period in 2019. Over 60% of imports come from the EU member states, while the other 30% come from the CEFTA member countries. The total U.S. agri-food exports to Serbia for the January-October 2020 period were valued at \$18.66 million, or 16.8% less than in 2019. One of the major obstacles to increasing U.S. market share in Serbia is a 5-30% customs import tax on agri-food products, compared to zero import taxes for products coming from countries with whom Serbia has signed free

trade agreements (about 90% of Serbian trade partners). Major commodities imported from the U.S. include almonds (\$5.3M), whisky bourbon (\$1.3M), smoked tobacco (\$1.1M), peanuts (\$750,000), and vegetable planting seeds (\$600,000).

### Food Processing Industry

Serbia is the largest agricultural market in the Western Balkans with a strong tradition in agricultural production and food processing. Serbia is a global leader in the production of non-GMO corn and raspberries. The food processing industry accounts for approximately one-third of Serbia's entire processing industry. Currently, over 15,000 food businesses are operational. Approximately 90% of these are micro, small, or medium-sized enterprises. This industry employs over 100,000 people and stands as one of the rare examples of industries that have not been hit adversely by the economic crisis in 2020. During the COVID-19 pandemic, Serbia has even registered a 5% increase in its food processing industry. The largest subsectors by value are dairy, meat, fruits, vegetables, wine, and the confectionary industry.

### Food Retail Industry

Retail revenue in the Serbian market is approximately \$6-7 billion a year, which represents a rather small market. Foreign retail chains hold over 80% of the total retail market, which is mostly divided between Dutch-owned Delhaize (owner of retail chains Maxi and Tempo) and the Croatian Fortenova Group (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% of the Serbian market: Dis, Univerexport, and Gomex. More than 50% of all food products are still sold through small grocery shops (estimated to number close to 30,000). Due to significant changes in consumer behavior during the COVID-19 pandemic, online retail increased by almost 400% since March 2020 compared to the same period in the previous year.

## Quick Facts January-October 2020

### Imports of Ag and Consumer-Oriented Products:

USD 1.86 billion

### List of Top 10 Growth Products in Serbia

- |                       |                        |
|-----------------------|------------------------|
| 1) Meat/meat products | 6) Sugar confectionary |
| 2) Fish & seafood     | 7) Pasta               |
| 3) Snack foods        | 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	\$9.20
Food Exports	\$3.37
Food Imports	\$1.86
Food Inventory	443 kg/capita
Domestic Food Retail	\$6.5
Food Service	\$3.8

### Food Industry Gross Sales

Domestic Food Market: USD 5.0 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): 51.4

GDP per capita (USD): 7,378 (2020)

## Serbian Market Advantages and Disadvantages

Strengths	Weaknesses
Serbian consumer-ready food imports are increasing.	Serbia is not a member of WTO and the U.S. has no tariff advantages.
International retail chains have become more prevalent.	U.S. products tend to be priced higher than EU, CEFTA, Turkey, and Eurasian Economic Union products that enjoy preferential market access.
Opportunities	Threats
Serbia has shortages of certain agricultural products (beef, pork, poultry, soybean meal, almonds, peanuts, pistachios, snack foods, 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 to grow crops and vegetables.	Serbia continues to ban biotech products, but the U.S. share of conventional crop and vegetable seeds is increasing.

### Exchange rate average in 2020:

1 USD = 100 dinars

### Contact:

OAA Rome, US Embassy Rome, Italy

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## **Section 1. Detailed Market Overview**

### **Economic situation**

The COVID-19 pandemic, related containment measures, and a stimulus package of nearly 13 percent of GDP are taking a heavy toll on the Serbian economy, with a projected decrease in real GDP of 3 percent in 2020 and expected recovery starting in 2021. The new Serbian Government was formed on October 28, 2020 (following elections in June 2020). It is expected that the new government will continue to implement programs that can address structural weaknesses, increase public sector efficiency, and eliminate bottlenecks to private sector growth, along with maintaining macroeconomic stability.

The Serbian Government plans to introduce a “green growth” program to its post-COVID-19 economic recovery efforts while responding to challenges that include a shrinking population, labor shortages, and climate change. Serbia’s continued growth will crucially depend on the pace of the European Union (EU) accession process. Serbia has been in the accession process for full membership into the EU since 2014. The country has opened 17 of 35 EU Acquis chapters in order to harmonize its regulations in different sectors of the economy and general political structure with EU-based regulations. Of 17 open chapters, 2 chapters have been provisionally closed. In December 2020, the Council of the European Union publicly announced that the conditions for opening new chapters in the accession talks with Serbia have not been met and that the country must make further progress in its democracy, independence of the judiciary, freedom of expression, and media infrastructure in order to meet the conditions for full EU accession.

The COVID-19 pandemic damaged Serbia’s economic performance, leading to a year-on-year drop of a minimum of -1.5 percent, according to the World Bank. The biggest contributors to the drop were industrial production, which decreased by 7.7 percent year-on-year; trade and transportation (-16.7 percent); and entertainment (-32 percent). In April of 2020, industrial production declined by 16.6 percent, the country’s largest drop in 20 years. Serbia’s foreign trade also suffered a blow when it dropped by 28.4 percent year-on-year in April. Other economic indicators that dropped significantly include internal consumption, tourism, catering, and investment. The GDP drop was partially offset by a 5 percent increase in agriculture, 5.4 percent increase in information technologies and communication, and 7.1 percent increase in education and health.

According to the World Bank estimates, Serbia can achieve economic growth of 2.9 percent in 2021, while the International Monetary Fund (IMF) is currently predicting an economic growth of 6 percent for the next year. The unemployment rate increased from 9.5 percent to 12 percent in 2019. Due to worsening economic crisis in 2021, it is predicted that unemployment will rise even more. The average net wage for 2020 is estimated at 59,412 dinars (\$594), an increase of approximately 10 percent year-on-year.

### **Overall Business Climate**

Serbia is an open economy with a strategic geographical location that makes it an attractive destination for investment and exports. Serbia has easy access to both EU and non-EU markets, a highly skilled and educated workforce, and a sound infrastructure that have led many global companies to establish manufacturing and service facilities there (see Serbia’s Country Commercial Guide [https://www.export.gov/article?series=a0pt0000000PAunAAG&type=Country\\_Commercial\\_kav](https://www.export.gov/article?series=a0pt0000000PAunAAG&type=Country_Commercial_kav) ).

## Recent Trends

The 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. Concerns about ingredients and lower quality also have a strong influence on buyers' confidence in imported products. This so-called "dual ingredient" issue was common in Central and Eastern European countries. Most consumers have adjusted their eating habits and diet for health reasons, as health consciousness is increasing. Therefore, there was a slight increase before the COVID-19 pandemic in the consumption of hypoallergenic and organic food products. Price remains the most important factor affecting purchasing decisions.

Due to COVID-19, household consumption in the second quarter of 2020 decreased by over 20 percent, representing the largest quarterly decline over the last two decades. According to the most recent data, retail sales have declined with the exception of grocery stores, electronic stores, pharmacies, and online sales. The demand for consumer foods in 2020-2021 is expected to be negatively impacted by the COVID-19 pandemic, but a strong rebound after COVID-19 is also expected.

Advantages	Challenges
Urban population continues to grow, the members of which generally have higher incomes.	The Serbian market is relatively small and price-sensitive.
Due to the COVID-19 pandemic, there is limited ability for EU and neighboring countries to supply food to Serbia.	Due to the COVID-19 pandemic and economic crisis, the population's purchasing power is shrinking and is mostly allocated to meet basic needs.
During the EU accession process and transition period and 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 CEFTA member and has entered into free trade agreements with the Eurasian Economic Union (Russia, Kazakhstan, Belarus, Armenia, and Kyrgyzstan) and Turkey.
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; these are organizations with agendas that are generally complementary to U.S. trade interests and priorities.	Given Serbia's aspiration to accede to the EU, Serbia is likely to support the EU positions before it becomes an EU member.
Serbia has a huge demand for U.S. animal genetics under low custom tariffs.	Serbia's purchasing power is limited.
Tourism growth.	High shipping costs and Serbian buyers demand quality but also low prices.
Most Serbian importers speak English.	Lack of awareness of U.S. goods; lack of consumer

	understanding of the quality of U.S. products.
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## **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 cleared by customs and import duties are 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. Since 2009, Serbia has had a very restrictive GMO Law, banning all trade and production of biotech products. Current GMO law must be amended in order for Serbia to become a WTO member and to reduce custom tariffs with the U.S. to improve mutual trade.

### **Local Business Customs**

U.S. food exporters should focus on establishing business relationships with reliable and efficient importers and distributors. Thus, it is important to 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/manufacturers 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 the FAS Belgrade Office to potential U.S. exporters. Large food retail chains like Delhaize, Fortenova Group, and Lidl have their own purchasing and importing divisions 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 their customers’ price sensitiveness along with these chains’ product requirements, purchasing policies, and expected purchase volumes.

### **General Consumer Tastes and Preferences**

According to the Serbian Statistical Office, the average Serbian consumer spends over 50 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. Serbia’s 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 consumers, neighborhood corner shops are regaining customers’ loyalty for 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, such as farmers. Retail turnover in the Serbian market is approximately \$6.5 billion a year, which represents a rather small market. An analysis conducted by Serbia's Economic Institute for the 2001-2020 period 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, Foretenova Group, and Lidl. The foreign retail chains hold over 80 percent of the total retail market, which is mostly divided between Dutch-owned Delhaize (owner of retail chains Maxi and Tempo) and the Croatian Foretenova Group (owner of retail chains Idea, Roda, and Mercator). Other international retail chains present in Serbia 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 2018, the Ministry of Agriculture adopted the Rulebook on Declaration, Labeling and Marketing of Food ("Official Gazette" RS No. 16/18). The Rulebook's implementation started on January 1, 2019, and additional amendments were adopted in 2020 ("Official Gazette RS" No 17/20 and 118/20). The Rulebook requires nutritional labels with much more detailed 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 the customs duty rates provided in the Law on Customs Tariff ("Official Gazette RS" No.115/12, 130/14, 98/15 97/16 and 95/18) or <https://www.carina.rs/cyr/Stranice/Default.aspx> and the Decree on "Harmonization of Customs Tariff Nomenclature" ("Official Gazette RS" No.98/15), <https://www.carina.rs/cyr/Stranice/Default.aspx>

These rates are *ad valorem* (with certain exceptions) and apply to goods originating in countries that 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 this rate is significantly higher on certain sensitive agricultural commodities.

Serbia's customs authorities also assess excise duties on oil derivatives, live cattle, tobacco products, and 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). The VAT is payable on all imports, assessed together with customs duty. For most 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., fruits and vegetables, meat, cereals, and pharmaceuticals), the reduced VAT rate of 10 percent applies.

For more detailed import standards and regulations, please refer to FAS Belgrade's 2019 Food and Agriculture Import Regulations and Standards (FAIRS), Narrative and Certification report that can be downloaded from: <https://gain.fas.usda.gov/#/>

### **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 due to growing consumer awareness in Serbia.

Serbia has free trade agreements with the European Union, Turkey, and the Eurasian Economic Union (Russia, Kazakhstan, Belarus, Armenia, and Kyrgyzstan). It is also a signatory to the Central European Free Trade Agreement (CEFTA). According to Serbia’s Customs Office, the trade deficit for the January-October 2020 period was \$5.3 billion, or 23.2 percent higher than for the same period in 2019 (\$4.3 billion). For the January-October 2020 period, Serbia exported goods valued at \$15.7 billion (4.4 percent lower than in the previous year) and imported goods valued at \$21 billion (4 percent higher than in the previous year). The EU remained Serbia’s most important trade partner, accounting for over half of foreign trade, followed by CEFTA countries.

Serbia’s total agri-food exports from January to October 2020 reached a value of \$3.37 billion, a 24 percent increase from the same period in 2019. Agriculture is the country’s most important export sector, accounting for over 20 percent of all Serbian exports and reaching a trade surplus of \$1.51 billion in the January-October 2020 period.

Agri-food imports were \$1.86 billion in total, a 7 percent decrease compared to the same period in CY2019, mostly due to the economic crisis driven by the COVID-19 pandemic and the general public’s lower purchasing power. Since 2001, agricultural exports have benefitted from preferential EU and CEFTA access. Serbian exports consist mainly of grains, sugar, fruits and vegetables (fresh and frozen), confectionary products, and beverages.

### Best High Value Product Prospects for U.S. Products

Product Category	Total Imports to Serbia (Million \$)	U.S. potential share of total imports	Key Constraints	Market Opportunities
Coffee and Tea	55	30%	Strong competition from South America, Africa, India, and Vietnam.	Growing market and demand for greater variety and higher quality.
Grains and Vegetable Seeds	80	30%	Strong competition from domestic seed institutes and EU companies.	Growing demand for higher quality of new seed varieties to achieve higher yields and higher-quality products.
Wine	125	5%	Strong competition from EU and CEFTA countries at lower price points.	Growing market for higher-end wines as Serbian living standards increase.
Protein Concentrates	25	40%	Lack of familiarity with U.S. products.	Growing demand and interest in new products.
Pet Food (Dog & Cat Food)	30	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



				Serbian are having more pets than before.
Fish & Seafood	70	20%	Competition from EU sources.	Demand and consumption are increasing along with changing eating habits and growth of restaurant and tourism businesses.
Snack Foods	125	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](http://www.carina.rs)

## Section 5. Agricultural and Food Imports

### Agricultural Trade with the United States

The United States ranked 30th for imports to Serbia for the January-October 2020 period, representing a decline of 36 percent compared to the same period in 2019. Total agri-food imports from the United States to Serbia for the January-October 2020 period were valued at \$18.66 million, or 16.8 percent less than in 2019. One of the major obstacles to increasing U.S. market share in Serbia is a 5-30 percent customs import tax levied at port locations, 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. agri-food exports have consisted mainly of starch, almonds, whisky bourbon, tobacco, pistachio, peanuts, vegetable and sunflower planting seeds, juices and extracts from hops, sweet potatoes, dietetic foods, concentrated proteins without dairy fats, other snack foods, fish and sea products, prepared meals, alcoholic drinks, 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, poultry meat for processing, high-value consumer products, and beverages. Opportunities 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.

Agriculture and food import statistics between Serbia and the U.S. for the past five years can be found at <https://apps.fas.usda.gov/Gats/default.aspx>. According to the USDA BICO Reports, exports of U.S. agriculture and food products are smaller than what is reported by the Serbian Official Customs Data; this discrepancy is due to several transshipments to EU countries that BICO does not register as U.S. exports.

### Top 10 imported commodities from the United States in U.S. Dollars (thousands) for the January-October 2020 period

HS Code	Commodity	2017	2018	2019	Jan-Oct 2020
2106 90 92	Different food products nn, =< 1,5% mm, =< 5%	1,700	2,600	3,200	4,100

0802 12 90	Almonds, no shell, fresh or dried	2,500	2,800	2,700	4,000
2208 30 11	Whisky bourbon	1,400	1,500	2,100	1,400
2401 20 85	Tobacco, dried	14,356	9,000	8,104	1,200
1209 91 80	Vegetable seeds	730	630	600	580
1302 13 00	Juices and extracts from hops	350	420	500	525
2008 19 93	Almonds and pistachios, roasted, <1kg	100	130	150	453
0714 20 10	Sweet potatoes	170	280	300	421
1206 00 10	Sunflower seeds	460	300	320	350
2008 19 13	Almonds and peanuts, roasted, > 1kg	220	250	270	200

Source: Serbian Customs Office

## Section 6. Key Contacts and Further Information

### **FAS/USDA Belgrade**

U.S. Embassy Serbia

Phone : +381 11 706 4158

E-mail: [AGBelgrade@fas.usda.gov](mailto:AGBelgrade@fas.usda.gov)

Web page: <https://rs.usembassy.gov/embassy/belgrade/sections-offices/foreign-agricultural-service/>

**Attachments:**

No Attachments