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Implementation of New Rulebook on State Subsidies for Agriculture

Report Categories:

Policy and Program Announcements

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Report Highlights:

The Serbian government adopted a new Rulebook on the “Allocation of Subsidies for Agriculture Production and Rural Development in 2018”. According to the new rulebook, incentives for agricultural production and rural development will be divided into five categories: direct payments, payments for rural development, credit assistance, specific incentives and IPARD incentives. In 2018, planting subsidies for crop production in Serbia will be 4,000 dinars (\$42) per hectare, the same as the previous year. The Serbian government allocated approximately 42.34 billion dinars (\$441 million) for agriculture in 2018, which is over 11 percent more than in 2017. Of the total agricultural budget for 2018, more than 40 percent (17.04 billion dinars [\$178 million]) will go to direct payments.

General Information:

In December 2017, the Serbian Parliament approved, as part of the state budget, an agriculture budget for 42.34 billion dinars (\$441 million), which represents an increase of 11.8 percent compared to the previous year. The majority of the budget for agriculture in 2018 is set for direct payments for crops, livestock and dairy production, support for use of EU IPARD funds, investments in the food processing industry, development of new markets for agriculture and food products, and improvement of the irrigation system. The agriculture budget for the Ministry of Agriculture, Forestry and Water Management (MAFWM) and for the Provincial Secretariat in 2018 is harmonized with measures from the EU IPARD program (Instrument for Pre-Accession Assistance in Rural Development).

According to the new Rulebook on the “Allocation of Subsidies for Agriculture Production and Rural Development in 2018” (published in the Official Gazette RS No. 18/18 on March 9, 2018), funds from the agriculture budget for incentives will be divided into five categories:

- 1) Direct payments
- 2) Payments for rural development
- 3) Credit assistance
- 4) Specific incentives
- 5) IPARD incentives

The total agricultural budget for 2018 consists of direct payments (farmer subsidies) for what will amount to 17.038 billion dinars (\$177 million). This includes subsidies for planting crops to up to 4,000 dinars (\$42) per hectare in 2018. Of the 4,000 dinars per hectare, half will be earmarked to purchase seeds and the other half to purchase mineral fertilizers. According to the new Rulebook on subsidies, the state support for milk production in 2018 will remain the same as previous years (7 dinars [\$0.07] per liter). Livestock production subsidies will range from 100 dinars (\$1) for laying hens to 25,000 dinars (\$260) per cow. Incentives for beehives will be 720 dinars (\$7.5) per hive. The government is also offering coverage for 40 percent of storage costs for farmers.

Of the total agricultural budget for 2018, approximately 2.40 billion dinars (\$25 million) will be set aside for incentives for rural development. Approximately 1.4 billion dinars (\$14.6 million) will be set aside for increasing competitiveness and achieving required standards in food quality. These incentives will help finance: new investments in agricultural production, food processing facilities and marketing activities; insurance premiums; and, activities that support sustainable rural development. In this category, the Serbian government has set aside 110 million dinars (\$1.1 million) for support to organic production and approximately 94 million dinars (\$979,167) for preservation of plant and animal genetic resources.

According to the new rulebook, the total amounts set aside for credit assistance is 460 million dinars (\$4.8 million) and another 249.1 million dinars (\$2.6 million) have been earmarked to cover specific incentives. The specific incentives include funds for: implementation of breeding programs, in order to improve livestock production; scientific research, development and innovation projects in agricultural production; and, production of planting materials and the requisite certification of these products.

For the first time this year, the MAFWM introduced support for the use of EU IPARD funds (Instrument for Pre-Accession Assistance in Rural Development) of 1.4 billion dinars (\$14.8 million) in 2018, from which 359 million dinars (\$3.7 million) are set from the state agriculture budget and 1.07 billion dinars (\$11.1 million) from the actual IPARD funds made available to Serbia. The agriculture budget for 2018 of USD 441 million is separate from EU IPARD Funds, and it includes incentive measures different from what will be offered through IPARD funds.

Currently through IPARD funds, Serbian farmers can only apply for agriculture mechanization; but, from June 2018, farmers will also be able to apply for IPARD financial support for import of new production lines, animal genetics, seedlings, food processing industry equipment, establishing cold chain, etc. With the possibility to use EU pre-accession funds for agriculture and rural development, Serbian agriculture will be further developed in the future and will be moving towards development of food processing industries and away from producing and exporting only commodity products such as corn, wheat, soya, fruits, and vegetables.