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PROBLEMS IN ORGANIZATION OF AGRARIAN INDUSTRY PRODUCTION IN SERBIA IN TRANSITION PERIOD¹

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Abstract

The aim of this work is to highlight the problems of organizing agrarian industry production in the period of transition in Serbia. It starts from favorable natural conditions for production and it points the need for a consistent agrarian policy. Details are focused on the problem of organizing the production and on the main aspects of the process.

Key words: *Intensive agrarian industry production, transition, agricultural enterprises, agricultural companies*

Introduction

Serbia has a great potential in agrarian industry sector, which is not fully exploited. With adequate agricultural policy, agriculture can make a significant contribution to economic development of country. It is, due to its connection and influence on other sectors, extremely important for the development of Serbia. Besides that it employs, directly or indirectly, a large number of people, providing food security for citizens and contributing to rural development and ecological balance, it takes an important part in foreign trade. ⁵

Several factors may have an impact on agricultural production intensiveness. The intensiveness factors of crop production at the national level are primarily the extent of land area per capita, the structure of planting areas, company size, qualified

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5 Cvijanović Drago, Mihailović Branko, Simonović Zoran, 2009, The role and importance of marketing in the development of agricultural sector of Serbia, Institute of Agricultural Economics, Belgrade, 49.

manpower, production costs, demand for agricultural products, parity price, natural conditions, economic conditions, genetic potential, the level of agricultural practices etc. On the intensiveness of livestock production the influence has also arable land per capita, livestock and its structure, actual work, production costs, the parity price of final products and inputs, natural conditions, the level of applied zoo technics, economic conditions etc⁶. In our further presentations we have chosen to process the company size impact on the intensiveness agro industrial production.

A special feature of Serbian agriculture belongs to its dual structure. Almost all countries in transition have entered the reform process with the state-owned agricultural complexes as the sole bearer of agricultural production. The former Yugoslav agriculture, together with Poland is, in that context, an exception. Apart from the state, social owned farms, the activity of our agrarian sector was based on functioning of individual farms.

The majority of agriculture private sector in total funds should further support the attitude that time-demanding endeavors will not result a significant drop in agricultural production. So, the basic starting point in the transformation of agricultural production in Serbia should be reflected in better organization of agricultural production in the individual (private) agricultural holdings and in successful privatization of former PIK-s. The increase in agricultural production could be affected by improving cross-border Cooperation of certain geographic areas in Serbia with areas in the region.⁷

Transition problems of agro-system

Transition in agriculture, in its true meaning, has begun to be implemented in Serbia after the year of 2000. Our country is, in comparison to other former socialist countries, with "delay" entered the reform processes related to market model construction of agribusiness functioning. Transitional developments in agricultural sector of Serbia, concerning their market reform, are a kind of transition of state-owned agricultural complexes from a planned economy to a market economy. In the early year of 2000. the structure of the entire ownership over the basic resource of agricultural production " by land" in Serbia, was following:

1. agricultural complexes owned 600,000 ha of cultivated land,
2. 3.6 million hectares (85% of the total arable land was in the ownership of family farms),
3. agricultural cooperatives held in their own property about 140,000 hectares or 3% of arable land.⁸

6 Dekić Snežana, 2010, Agricultural management, Faculty of Economics, Niš, 147.

7 Stojanović Zaklina Manić Emilija, 2009, Cross-border Cooperation, protected geografic areas and extensive agricultural production in Serbia, European Association of Agricultural Economists, Institute of Agricultural Economics Belgrade, 397-404.

8 Zakić Zorka, Stojanović Žaklina, 2008, Economics of agriculture, the same, CID Faculty of Economics, Belgrade, 303.

The participation of private sector majority in agriculture in total funds leads us to conclusion that demanding reform effort and the transition will not lead to a significant decline of agricultural production. The transition process primarily depends on extent and dynamics of reforms.

Transitional reforms in Serbian agricultural sector are:

1. Liberalization of prices and markets as well as establishing the conditions for market economy
2. Land reform and privatization of agricultural land,
3. Privatization and de-monopolization of agricultural processing industries,
4. The constitution of the financial system that is oriented to a market agriculture
5. Institution and administrative system construction that is suitable for functioning of privately owned farms in market economy.⁹

Adoption of European and world business criteria are the best way of competitiveness and economy subjects training in agricultural policy. According to new definition of productivity, there are no good or bad economic sectors. Now, companies in each industry branches can become more productive through the use of sophisticated strategies and investment in modern technology. This is exactly what is successful privatization of food industry shown. The drives in which the privatization was completed have, in the meantime, improved standards, technology and work on conquering the market.¹⁰

Problems of production organization in agro-industry

If we look at current transition process in agriculture, we can notice that it affected the whole agricultural complex. State farms, AIK and PIK, are being privatized in the process, or have already been privatized. Family farms are transformed into small and medium enterprises in agriculture or are reduced to homestead. Crossing the Serbian agriculture to a market economy is slowly entering the final phase in our country.

Changes in the organizational structure of AIK's we can best follow up on the basis of reducing the number of agricultural organizations according to the size of estates and on the basis of data about the number of companies engaged in agriculture, as well as the number of employees in these companies.

The number of agricultural organizations, by the size of property, we will observe in the period that begins 1991. and ends in 2007. (Table 1).

9 Gajić Milivoj, Lovre Koviljko, Zekić Stanislav, 2005, Enlargement of the European Union and agriculture, Institutional reforms and agrarian transition in Republic of Serbia, University of Belgrade, Faculty of Economics, 108.

10 Pejanović Radovan Njegovan Zoran, Tica Nedeljko, 2007, Transition, rural development and agricultural policy, Faculty of Agriculture, Novi Sad, 198.

Table 1: Agricultural organizations by the size of estates

	Total	Without land	Up to 50 ha	51-100	101-300	301-500	501-1000	1001-2500	2501-5000	Over 5000 ha
REPUBLIC OF SERBIA										
1991	1474		815	101	130	60	86	149	90	43
1996	1414	620	175	80	129	59	91	145	80	35
2001	1109	405	137	73	121	62	92	122	72	25
2006	903	199	145	76	129	60	90	118	67	19
2007	833	187	133	63	121	70	77	117	49	16

Source: Statistical Yearbook of Serbia for the current year, issued by Statistical Office, Belgrade.

Our study period covers 15 years. During the reporting period, a situation analysis of number of agricultural organizations in the period before and during the transition, has been done. The main characteristic of this period was that there was a reduction in the total number of agricultural organizations according to the size of estate. The first year that was took under analysis, as we said before, was 1991., the year in which a total of 1474 agricultural organizations was registered. The final year of observations was 2007. in which 833 agricultural organizations was registered. On the basis of these data we can see that, in this period, 641 agricultural organizations were shut down. The greatest number of agricultural organizations was shut down in the period from 2001. to 2007. If we look at agricultural organizations by size of land holdings, we can notice that the highest decreases occurred in those agricultural organizations that have possession of up to 50 hectares. The number of these organizations was 815 in 1991. it remains only 133 of them in 2007. The number of organizations, that have a surface area between 51 and 100 ha, has also been reduced. So that number of these organizations was 101 in 1991, and only 63 in 2007. There have been only few cases in reducing the number of organizations that have a surface area of 101 to 300 ha. There were 130 organizations of the kind in 1991. and only 121 remained in 2007.¹¹ Based on the above stated, we can see that a decrease in the number of agricultural organizations was directly affected by the transition. It turns out that a more intensive agricultural production can not be realized in the transition period. The analysis, based on varying the number of estates, shows that transition process has affected all categories of estates having on mind their size. This is significant because it indicates the consistency of transition process in Serbia, which is important for agricultural policy.

Agricultural enterprises by type of ownership are given in Table 2. On the basis of the data we can see changes in the type of ownership, a good example of the transition process. The period we have observed includes three years: 1994. 2001 and 2004. Private agricultural enterprises recorded a slight increase in the first phase of the transition.

¹¹ Statistical Yearbook of Serbia for the current year, issued by Statistical Office, Belgrade.

Table 2 Agricultural enterprises by the type of ownership in Serbia

	1992		2001		2004	
	number	%	number	%	number	%
Ownership	4094	100,0	6845	100,0	7895	100,0
Corporate	432	10,6	458	6,7	361	4,6
Private	2315	56,4	4349	63,6	4974	63,0
Cooperative	1140	27,9	1761	25,7	2235	28,3
Mixed	207	5,1	199	2,9	222	2,8
State	-	-	78	1,1	103	1,3

Source: Statistical Yearbook of Serbia for the current year, issued by Statistical Office, Belgrade.

This trend indicates us the fact that private enterprises are becoming dominant form of ownership. In support of this claim are facts dating from 2001. when there were 4349, and in 2004. 4974 such enterprises. On the other side, we have a constant erosion of agricultural companies in public ownership. In the year 2001. only 458 companies were registered, and that number reduced in 2004. on 361. As a positive tendency, we may emphasize a growth of agricultural enterprises number in the cooperative ownership - 1761 in 2001.up to 2235 as there were 2004. These data indicate the fact that the increase in number of private and cooperative owned enterprises is not only the result of transition process but also the result of investments presence and new enterprises establishment.

Table 3 Agricultural enterprises by type in Serbia

	2001	%	2004	%	2006	%
Type total	6845	100,0	7895	100,0	4161	100,0
Public companies	28	0,4	31	0,4	34	0,8
Partnerships	208	3,0	486	6,2	252	6,1
Joint stock companies	151	2,2	221	2,8	169	4,1
Corporate enterprises	298	4,4	233	3,0	175	4,2
Private enterprises	2310	33,8	2183	27,5	37	0,9
Joint stock company	0	0,0	0	0,0	0	0,0
Limited liability companies	1235	18,0	1264	16,0	1170	28,1
Single-member limited liability companies	673	9,8	1018	12,9	38	0,9
Limited partnerships	33	0,5	70	0,9	39	0,9
Cooperatives	1741	25,4	2216	28,1	2108	50,7
Facilities	107	1,6	112	1,4	107	2,6
Other forms of association	61	0,9	61	0,8	30	0,7

Source: Statistical Yearbook of Serbia for the current year, issued by Statistical Office, Belgrade.

The situation is similar if agricultural enterprises are observed according to the type. According to table 3. there is no agricultural company constituted as a joint stock company. The number of public enterprises in observed period from 2001. to 2006. year has increased from 28 to 34. In this period there has been an overall reduction in the number of companies. If we observe the total number of companies, then in 2004. there were 7895 companies, and in 2006., 4161. The largest reduction occurred in private agricultural enterprises. In 2004 there were 2,183 private companies, in 2006. the number has reduced to only 37. The reason for such a huge reduction in the number of private agricultural enterprises should be sought in the registration process of such companies. For the observed period in 2001. and 2004., committed commercial courts have been doing registration of companies, and registration in 2006. year has been accomplished by the Agency for Business Registers. The presence of agricultural enterprises with foreign capital in Serbia is very small. Feel free to say almost insignificant. This kind of companies, according to Table 4. in the year 1992., there were five, and in the year 2004. a number of them was 27. Slightly better position have companies that have a mixed capital. A number of such companies in 1992. was 17, and in 2004. there were 71 of them.

Table 4 Agricultural enterprises by origin of capital in Serbia

	1992		2001		2004	
	number	%	number	%	number	%
The origin of capital	4094	100,0	6845	100,0	7895	100,0
Domestic	4072	99,5	6784	99,1	7797	98,8
Foreign	5	0,1	14	0,2	27	0,3
Mixed	17	0,4	47	0,7	71	0,9

Source: Statistical Yearbook of Serbia for the current year, issued by Statistical Office, Belgrade.

Number of employees, during the period from 1991. to 2006. , have had a trend of steady decline (Table 5). During 1991. on the whole territory of Serbia there were 116,958 persons employed in agricultural enterprises and cooperatives. A number of employees has gradually being reduced throughout this 15 year period. Drastic reduction continued in 2007. too. This year, the number of persons employed in agricultural enterprises and cooperatives was 35,525 employees.

Table 5. Employed in agricultural organizations (on 31. 12. 2006.)

Year	Number of valuable agricultural companies and land cooperatives	Workers employed	Regular workers in the agricultural sector	Agricultural experts		Veterinarians	Economy experts	
				With faculty or academy	With high school		With faculty or academy	With high school
REPUBLIC OF SERBIA								
1991	1487	116958	81012	6525	11202	3019	2012	8328
1996	1414	93567	64129	5246	9314	2794	1680	6576
2001	1109	70860	49371	4246	7142	2491	1172	4670
2006	903	39898	33548	2533	3970	1960	785	2365
2007	833	35525	30055	2435	3633	1834	711	2112

Source: Statistical Yearbook of Serbia for the current year, issued by Statistical Office, Belgrade.

Large part of staff reduction in agricultural enterprises and cooperatives took place in the period from 2001. to 2007. From 2001., when there was 70,860 employees, to 2007., almost half of workers that worked were discharged or left work in these companies. And in the next, 2008, year, downward trend in the manpower has been continued.

According to data in the table, in all observed period, more workers were employed in Vojvodina than in Central Serbia. This is logical in any sense because Vojvodina has better agricultural conditions in every respect. The largest corporate agricultural AIK-s and PIC-s were located right on the territory of Vojvodina.

Conclusion

The problems that we're dealing with in this work and the solutions that we're pointing are next: the transition process is in full swing, and is completed at some forms of social estates or is in the final stage. All this can be seen from the tables given in text.

Opportunities for intensive agro-industrial production in Serbia are certainly there. Upon completion of transition and by greater investment in agricultural production, conditions can be created for it. The state, by creating more favorable business environment, has much to do in the development of agricultural intensive production. In European Union countries mainly affect the development of this branch of industry. Finally, the policy, that prevailed in recent decades, should be left for being related to neglect of agro production. We must not forget that agro-industrial production represents our future and our opportunity.

Our analysis shows that the problems of organizing the agrarian industry production are complex and are related to problems of transition as well as to need for consistent agricultural policy which should contribute to a better success of this production.

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