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# THE INFLUENCE OF ECONOMIC AND ENERGY CRISIS ON PRICE OF AGRICULTURAL PRODUCTS

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## ABSTRACT

The purpose of this research is to explain the impact of the economic and energy crisis on the rise of prices of agricultural products and further development of a sustainable agricultural economy in Serbia. In the paper are used comparative data for analysis of the movement of agricultural production and inflation in the last 10 years. The evident result of the research is the great impact of the economic and energy crisis on the rise of prices of agricultural products and rising inflation. The main task of this research is to help to understand factors which are connected to the rise of prices of agricultural products, and to suggest adequate solutions for stopping inflation with the aim to obtain the supply of necessary foods in periods of crisis. In paper are recommended new strategies which will contribute to the proper treatment of agricultural production in the future and sustainable development.

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## Introduction

When the economy of the country or a specific part of the economy is facing economic problems, the only way to find adequate solutions is to take a good look at the external influences and the situation within its own economy.

In this paper, we are dealing with the influence of external factors, i.e. energy crisis, an economic crisis which is further complicated by the political situation in the world, on agricultural production, and prices of agricultural products. Why is that important? Because of world economic problems, the main goal of each country now is to provide a secure supply of energy and food, especially in the coming period of winter, where we can expect a special large consumption of energy. Due to the energy policy and the economic crisis, it is necessary to take a good look at all the effects that these factors have on the agricultural production of Serbia.

The purpose of this paper is to better understand all problems that agricultural production is faced with nowadays. First, what are the indicators that have an influence

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on the rise of prices of agricultural products? Of course, the evidence is the effect of raising the cost of energy, the economic crisis in the world, imported inflation, climate conditions, prices of seeds, prices of plant protection products, price of insurance policies, supply and demand of agricultural products. We can see that there are a lot of factors which have an impact on agricultural production, and at first it looks like they act independently, but in the end they are all deeply connected.

### **Materials and methods**

Method of analysis, synthesis and comparison of data was used for the tracking of the agricultural production, and specially production of main cereals, movement of prices, inflation and agricultural production as a whole in the last decades, and specially in last the last 4 years. The official data was used from Eurostat, World bank, Food and Agriculture Organization of the United Nations, and Statistical Office of the Republic of Serbia.

### **Results and discussion**

The prices of agricultural products have increased dramatically, and this is mostly influenced by current events, the energy, economic, and political crisis in the world. These three crises are closely related to each other. There has been a drastic increase in the price of agricultural products caused primarily by the rise in energy prices, and then also in transport prices. This caused an increase in the price of most raw materials, and thus the final products. In addition to energy prices, the biggest problem is the increase in the prices of fertilizers, as well as products for plant protection.

The strategy of Serbia should be to ensure its own production of agricultural fertilizers and products for plant protection, and above all to focus on greater implementation of organic fertilizers wherever possible and stimulation of soil improvement through natural production of organic compost for smaller farms. With those resources, she can provide a secure supply to her own population.

Why is it good to focus on organic? Because it is healthy, because the prices of organic products are higher, because from the ecological point of view, we have a safe environment that is preserved, but also we provide sustainable development and secure the future life of future generations.

We must take into account not only the continuity and increase of agricultural production in Serbia, but also about the development of a sustainable agricultural economy. The world is facing the biggest challenges, which are not only a crisis in the supply of energy, but above all, in the production of a sufficient amount of food, which depends not only on energy, fertilizers, means of protection, but also with climates conditions and problems that have arise in the supply chain, given that transport has become very expensive.

There is a danger that there will be not just a food shortage, but also a decline in the quality of human nutrition. There is a danger that consumers due to the economic crisis, and higher prices, will use cheaper products of lower quality, with reduced quantity of purchased goods.

The negative impact of COVID is also very large because the countries were locked down and blocked for a long period because of health measures . The world was unprepared for a fast reaction to the global pandemic of COVID19, and that made an impact on economic trends and production. The COVID19 caused severe consequences, both for the health of people and its economies. It was a big shock even for the industries who very quickly transfer to remote work. Some sectors suffered great losses, while the pharmaceutical industry, manufacturers of drugs, and vaccines, has achieved a big increase in profit, and multiplied their wealth for several times. What happened to the production of main agricultural cereals very important for food ?

If we look at the statistical data, production of main cereals in the European Union will decrease in most cultures in 2020 compared with 2019. In the table below we can see a difference in production from year to year.

**Table 1.** Production of main cereals in EU

Year	European Union					
	total yield in millions of tons					
	Wheat	Barley	Maize	Oats	Rye	Others
2010	112,4	47,8	59,4	6,8	7,7	30,0
2011	115,6	46,5	70,1	7,3	7,1	23,7
2012	112,3	49,5	59,0	7,3	9,0	26,8
2013	124,2	53,0	66,6	7,5	10,8	26,2
2014	132,7	53,9	77,3	7,0	9,3	27,8
2015	135,8	54,6	58,9	6,8	8,1	27,9
2016	120,5	53,5	62,7	7,4	7,6	28,3
2017	127,9	51,6	64,7	7,3	7,6	28,1
2018	115,6	50,1	69,0	6,9	6,5	25,9
2019	131,8	55,6	70,1	7,0	8,7	26,2
2020	119,1	54,7	67,8	8,5	9,5	26,9

Source: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Agricultural\\_production\\_-\\_crops#Cereals](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Agricultural_production_-_crops#Cereals), source data Crops, figures downloaded 15.10.2022 22:01

On the next chart we can see the highest value in production in 2014, and then really seriously falling down, especially in 2016. After a little recovery in 2017, we again have a fall in production in 2018, which is especially evident in wheat, and spelt production. Since 2014 till 2019 we have unstable production of wheat and spelt.

In a factors that contributed to a decrease in production in 2020 compared with 2019 we must also account the effect of COVID 19. After COVID 19 the economies of countries faced with inflation, and then to energetic crisis which was deepened by the introduction of sanctions against Russia by a large number of countries. The prices of fuel, gas, electric energy and other energy sources are raised.

That raise of energy prices has a multiplying effect on raises of all other prices , because at first raising the cost of transport causes an effect on prices, supply of resources, production and cost in wholesale and retail trade.

If we are faced with raising the prices of seeds, fertilizers, products for plant protection, price of insurance policies, and the lower production of agricultural products, on the other hand, it is very difficult to stop the further raising of inflation rates. There is a different types of inflation.

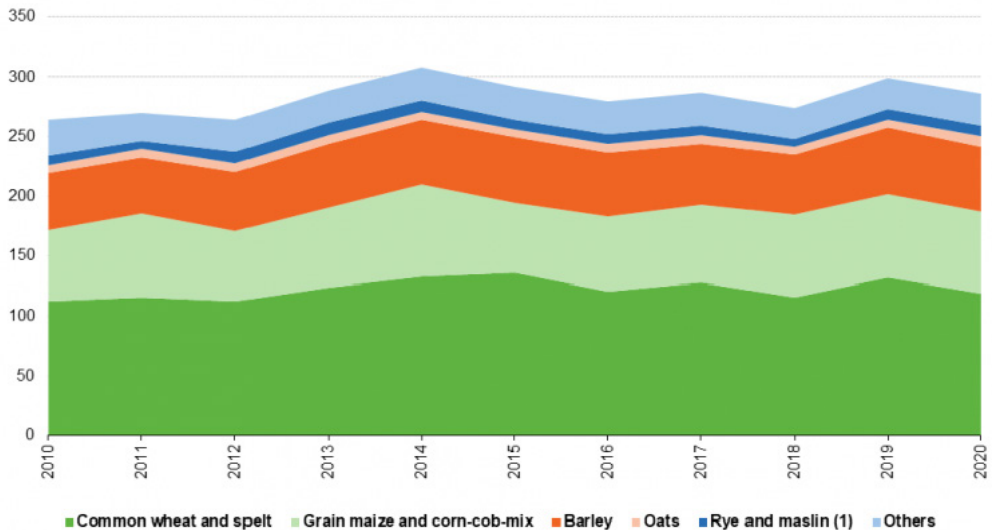
**Figure 1.** Inflation trend in Europe since 2000



Source: [https://sdw.ecb.europa.eu/quickview.do?SERIES\\_KEY=122](https://sdw.ecb.europa.eu/quickview.do?SERIES_KEY=122).  
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When an increase in the money supply increases overall demand more than the productive capacity of an economy, we have demand-pull inflation. When production costs increase prices, we have cost-push inflation. Quality improvements and technological change are often incorporated into cost-push inflation. Quality improvements would increase prices while technological change tends to reduce prices. Finally, when individuals expect current inflation rates to continue in the future, we have built-in inflation. In general, the longer above average inflation rates persist, the more important built-in inflation becomes. All three of these types of inflation mechanisms are contributing to the recent surge in inflation (Langemeier 2022)

State governments should implement various protectionist measures to ensure stable production and ensure the population's supply of basic foodstuffs. In Table 1, we have seen numerical data on the production of the main cereals, but the differences from year to year can best be seen if we look at the same data from Table 1, graphically shown in Figure 2.

**Figure 2.** Production of main cereals in EU**Production of main cereals**  
(million tonnes, EU, 2010-2020)

Note: 'Rye and maslin' includes mixture of rye with other winter sown cereals. 'Others' includes rice, triticale and sorghum.

(1) Includes estimate for Italy, 2013.

Source: Eurostat (online data code: apro\_cpn1)

eurostat

Source: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Agricultural\\_production\\_-\\_crops#Cereals](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Agricultural_production_-_crops#Cereals), downloaded 15.10.2022 22:01

The harvested production of cereals (including rice) across the EU was 286.5 million tons in 2020. This was 12.9 million tons less than in 2019, the equivalent of a 4.3 % decline, and 21.4 million tons less than the record 307.9 million tons recorded in 2014 (see Figure 2).

France harvested 57.5 million tons of cereals in 2020, one fifth (20.1 %) of the EU's total harvested production. Germany harvested 43.3 million tons (15.1 % of the EU total), Poland a further 35.5 million tons of cereals (12.4 % of the EU total) and Spain harvested 26.3 million tons (9.2 % of the EU total).

The overall EU decline in the harvested production of cereals in 2020 was underpinned by steep falls in France ( 19.2 %, or 13.7 million fewer tones) and Romania (-36.3 %, or 11.0 million fewer tones). However, there were much higher levels in Poland (up 22.5 %, or 6.5 million tons) and Spain (up 32.3 %, or 6.4 million tons).

The EU harvested 119.1 million tons of common wheat and spelt in 2020, the equivalent of 41.6 % of all cereal grains harvested (see Figure 2). This was 12.7 million tons less than in 2019, a decrease of 9.7 %. One reason for this was the weather and the other was the marked reduction in area harvested (down 5.9 % to 20.8 million hectares, in large part due to the adverse weather conditions in Autumn which hindered sowing), (Eurostat 2022).

**Table 2.** Production of cereals in Republic of Serbia

Year	Production of cereals in Republic of Serbia					
	total yield in tons					
	Wheat	Barley	Maize	Oats	Rye	Others
2010	2085529	260998	7207191	78619	11061	48743
2011	2609188	291613	6479564	82577	12791	60339
2012	2399225	278367	3532602	77262	10640	54530
2013	2690266	362205	5864419	88288	13258	69916
2014	2387202	323283	7951583	74932	11702	91691
2015	2428203	362205	5454841	88288	13258	80055
2016	2884537	395501	7376738	81344	14200	100301
2017	2275623	305493	4018370	69538	11248	98586
2018	2941601	410138	6964770	74707	13418	113439
2019	2534643	373340	7344541	56242	12963	102231
2020	2873503	490115	7872607	52135	15240	126404

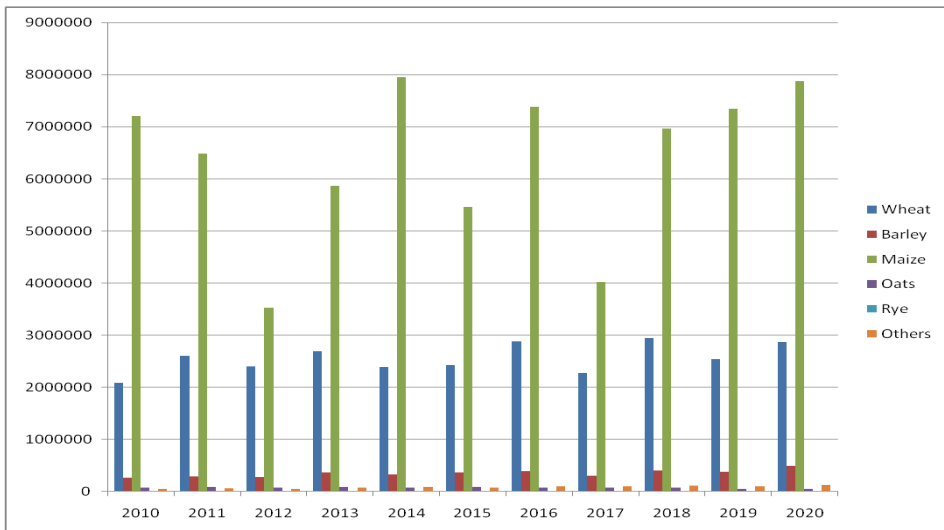
Source: Presentation of the author based on data from Statistical Office of the Republic of Serbia

Note: <https://data.stat.gov.rs/Home/Result/130102?languageCode=sr-Latn&displayMode=table&guid=ae1133bd-cc19-41f6-90ae-cc81b689143e>

Reference: since 1999 without data for AP Kosovo and Metohija

Arable production in Serbia is small and definitely has a very similar trend to production in the European Union, which is graphically shown in the picture below based on the data from Table 2.

**Figure3.** Production of cereals in Serbia



Source: Presentation of the author based on data from Statistical Office of the Republic of Serbia

Note: <https://data.stat.gov.rs/Home/Result/130102?languageCode=sr-Latn&displayMode=table&guid=ae1133bd-cc19-41f6-90ae-cc81b689143e>

Reference: since 1999 without data for AP Kosovo and Metohija.

Serbia is a small country and its contribution to the total crop production in the EU is small. This means that our market production of basic grains is vulnerable and highly susceptible to the influence of both internal and external factors.

Serbia's main task is to minimize the impact of these external factors as much as possible, and to eliminate internal factors through an efficient agrarian policy. Therefore, the state should conduct a simulative policy of agricultural production with a series of benefits for producers in order to obtain stable prices and a stable supply of all necessary agricultural products.

Cereals have a major role in human nutrition, and because of that it is important to compare our production in Serbia with the European Union as a whole. If we look at the statistical share of agricultural production in the total GDP in Serbia, it has been stable in Serbia for the last four years, but if we talk about the real growth of agricultural production, then we will come to the fact that agricultural production is in decline.

Observed by activities, in 2021 the major share in the GDP was noted for the section of manufacturing, 13.0%, the section of wholesale and retail trade and repair of motor vehicles, 11.8%, the section of real estate activities, 6.8%, the section of agriculture, forestry and fishing, 6.3%, and the section of construction, 6.0%. Regarding by the aggregates of GDP use, the share of individual consumption expenditure of households equaled 64.9%, individual consumption expenditure of general government – 10.0%, collective consumption expenditure of general government – 6.9%, gross fixed capital formation – 23.1%, exports of goods and services – 54.5%, and imports of goods and services – 62.3%.

Regarding by activities, in 2021 the section of accommodation and food service activities created the real growth of gross value added (GVA) equaling 31.8%, the section of mining – 29.4%, the section of arts, entertainment and recreation – 26.3%, and the section of construction – 17.6%. The real fall of GVA was noted for the section of agriculture, forestry and fishing, 5.7%. Observed on expenditure side, real growth was noted for all aggregates: individual consumption expenditure of household sector, 7.8%, individual consumption expenditure of government sector – 7.2%, collective consumption expenditure of government sector – 0.2%, gross fixed capital formation – 15.9%, exports of goods and services – 19.5%, and imports of goods and services – 17.7% (Statistical Office of the Republic of Serbia 2022).

Covid 19 was not only a big blow to people's health and to the complete healthcare system of Serbia, but also to the complete chain of supply of basic foodstuffs. We are witnessing the shortage of certain foodstuffs in Serbia during Covid 19, huge queues in front of the large markets and shops due to compliance with measures to protect against Covid 19.

The fact is that psychological factors influenced people to create larger stocks of certain goods such as flour, sugar, salt, and oil, but bearing in mind the commodity reserves, Serbia responded well to the growing demand so that all products could be purchased.



After minor difficulties in the first months after the emergence of COVID 19 the supply of foodstuffs stabilized.

The real GDP growth in the second quarter of 2022, compared to the corresponding period of the previous year, amounted 3.9%. According to seasonally adjusted GDP data, gross domestic product increased by 1.2% in the second quarter of 2022, compared to the previous quarter. Observed by activities, in the second quarter of 2022, compared to the same quarter of the previous year, significant real growth in the gross value added was recorded in the section of wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage and accommodation and food service activities – 8.4% and the section of industry and water supply, sewerage, waste management and remediation activities – 4.6%. Real fall in the gross value added was recorded in the section of construction – 7.6% and the section of agriculture, forestry and fishing – 5.4%. (Quarterly Gross domestic product of the Republic of Serbia, II Quarter 2022, Statistical Release, National accounts - Quarterly national accounts 31.08.2022, Statistical Office of the Republic of Serbia).

It is not only a problem to ensure an adequate volume of agricultural production for the normal functioning of the supply chain, but also to influence the prices of agricultural products. If the prices of the consumer basket are rising, then it is a big pressure on the economy that has a big social impact. It is primarily a factor of great pressure on wages, which additionally increases the problem of an economy that is faced with a crisis. It is crucial to ensure the availability of food at acceptable prices for both consumers and producers. Regarding this, it is very important to compare the prices of manufacturers, wholesalers and retailers. Special attention should be paid to producers who are very sensitive to several factors, because they are not only affected by the energy and economic crisis, but also by the weather.

Even under ideal conditions without an economic crisis, yield can be compromised by bad weather conditions. That is why it is very important for us to protect agricultural producers. Without them, there is no stable supply and sustainable agricultural production in our country. If we want to ensure uninterrupted supply from our own needs, then the share of agricultural production in the total GDP of our country must be increased.

What is sustainable agricultural production and how to ensure it in a country? This is the type of production that will enable the most optimal use of all available resources for production in accordance with the highest ecological standards and will enable that production to be sustainable in the long term. a country that has food for its population, and in addition has a surplus for export, is at the start in a large competitive advantage in comparison with other countries.

What is the situation in Serbia, and what do we export the most? We have to carefully plan our commodity reserves and make sure that the goods that we need are not exported. If we add to that the results of agricultural production, which is in decline due to last year's drought, and energy and political crisis, we can expect that the prices of agricultural products will certainly rise due to reduced supply.



Prices of goods and services used for personal consumption in September 2022 in relation to August 2022 increased by 1.5% on average. Consumer prices in September 2022 increased by 14.0% in relation to September 2021. Consumer prices in September 2022 in relation to December 2021 increased by 11.4%, on average. Observed by main groups according to the destination of consumption in September 2022 in relation to the previous month, increase of prices was noted in the groups Housing, water, electricity, gas and other fuels (3.8%), Restaurants and hotels (3.7%), Food and non-alcoholic beverages (2.4%), Furnishings, household equipment and routine household maintenance (2.0%), Health (0.6%), Clothing and footwear (0.5%), in the groups Alcoholic beverages and tobacco and Education (each by 0.2%) and in the group Communication (0.1%). Decrease of prices was noted in the groups Recreation and culture (-2.8%) and Transport (-0.3%). Prices of other goods and services mostly remained unchanged. (Consumer price indices by COICOP, September 2022, Statistical Release, Prices - Consumer prices 12.10.2022, Statistical Office of the Republic of Serbia).

The most important resource for agricultural production is arable land, which is abundant in Serbia. There are many questions:

1. How to encourage agricultural production and return people from the cities to the countryside? With serious financial subsidies and the construction of the necessary infrastructure.
2. Will the crisis in food production force us to return to the abandoned farms and fields of our ancestors? Certainly, a certain percentage will because we are facing unemployment, and a large number of people do not have money for basic life needs.
3. Will the energy and economic crisis lead to a decrease in agricultural production due to increased costs? Of course it will.

It is certain that all these factors are very important, and unfortunately they had a negative impact on agricultural production in our country, given that in recent years we certainly have had a negative trend, that is, a real decline in agricultural production.

Stimulants in agriculture are the only solution. It is necessary to stimulate agricultural production with various types of subsidies, but it is also very important to increase the number of crops which are insured by insurance companies. Unfortunately, the prices of insurance premiums in insurance companies have also increased due to inflation.

We have seen that different varieties of agricultural products depend on a very large number of factors: weather conditions, development and implementation of irrigation systems, prices of seeds, fuel, fertilizers and plant protection agents. After production, the price of agricultural products depends on supply and demand, that is, the amount of the yield achieved, but also of the quality of the yield itself. The best quality is reserved for the highest class, which brings with it a favorable price. What the quality of agricultural production will be depends not only on the seeds, applied irrigation measures, climatic conditions, but also on the amount of fertilizers and applied protection

means. So, many factors influence the prices of agricultural products, but that does not mean that we cannot influence the prices. Adequate agricultural and economic policy can influence prices and ensure a stable supply, but some factors, unfortunately, cannot be influenced. If we own arable land, are we also rich in energy resources? We have witnessed that, in addition to the weather conditions, the current increase in energy prices through imported inflation is a very important and unpredictable factor that our producers and the state are powerless to resist. It is imported inflation for which we are not to blame.

**Table 3.** Price indices of agricultural products in European Union

Price indices of agricultural products						
Cereals (including seeds)-Time frequency Quarterly						
GEO (Labels)	Period					
	2021	2021	2021	2021	2022	2022
	Q1	Q2	Q3	Q4	Q1	Q2
EU 27 countries	125,06(p)	129,27(p)	131,17(p)	157,36(p)	171,98(p)	216,7(p)
Belgium	133,69	140,89	144,25	171,57	198,6	247,94
Bulgaria	127,37	127,58	126,59	154,97	165,18	202,07
Czechia	106,7	114,0	114,1	127,6	145,1	182,4
Denmark	112,39	125,62	120,75	135,95	148,65	185,15
Germany*	128,2	133,8	131,8	157	182,8	227,4
Estonia	122,48	127,58	123,38	150,95	176,84	226,88
Ireland	115,33	115,33	141,47	154,54	154,54	154,54
Greece	114,93	114,55	121,44	134,77	126,27	131,05
Spain	115,01	113,97	119,86	153,7	160,75	192,02
France	127,83	126,48	134,09	160,66	174,98	216,94
Croatia	128,69	127,02	114,09	166,13	202,09	209,69
Italy	114,9	124,2	136,4	162,7	176,9	199,2
Cyprus	:	115,85	116,75	:	:	166,37
Latvia	135,33	137,03	127,4	161,79	203,9	244,34
Lithuania	120,63	118,77	114,33	141,95	169,42	218,65
Luxembourg	:	:	135,85	135,85	:	:
Hungary	145,44	157,51	143,9	183,71	227,21	263,56
Malta	:	:	:	:	:	:
Netherlands	134,3	140,1	139,3	165,6	181,8	234,7
Austria	116,7(p)	133,7(p)	120,9(p)	141,1(p)	186,6(p)	216,3(p)
Poland	136,69(p)	148,51(p)	135,85(p)	167,34(p)	202,69(p)	249,4(p)
Portugal	121,61	110	120,03	134,78	114,84	195
Romania	132,56	135,17	139,62	152,51	132,56	215,49
Slovenia	105,39	116,38	113,75	155,31	:(c)	190,62
Slovakia	118,39	127,49	121,95	136,34	173,32	214,37
Finland	118,34	119,97	127,42	171,63	205,83	256,7
Sweden	152,08	139,06	151,72	188,08	234,21	301,88
Price adjustment Nominal index , Unit of measure Index, 2015=100, Last updated: 30/09/2022 11:00						
Note: Special value( : not available, c confidential, p provisional, * until 1990 former territory of the FRG)						

Source: [https://ec.europa.eu/eurostat/databrowser/view/apri\\_pi15\\_outq/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/apri_pi15_outq/default/table?lang=en), downloaded 17.10.2022 12:02

If high costs eat up earnings, then the motivation of agricultural producers decreases, as well as their organizational and financial readiness to continue agricultural production in the following period without reducing the volume of production. In addition to all these factors, unfortunately, agricultural producers often encounter the disloyal behavior of the lobbies of agricultural product warehouses, which negotiate a price that does not suit the producer. On the one hand, we have producers who are very dedicated to their work, who invest a lot of work, effort, time and money, and on the other hand, we have undeniable pressure from the warehouse lobby and buyers. How to overcome this problem. Only through cooperatives and associations of agricultural producers, which, due to low prices, will ensure the storage of products for later sale, or processing in order to avoid losses. Today, earnings are much higher in other economic branches than in agriculture, but if we are guided only by profit, the question arises as to who will be engaged in agriculture and ensure the production of an uninterrupted supply of food. It is also important to invest in the education of agricultural producers, especially in terms of the use of fertilizers and means of protection because many are still ignorant of agricultural production.

**Table 4.** Price indices of agricultural products in Serbia

Monthly producer price indices of agricultural and fishery products [index]			
REPUBLIC OF SERBIA			
Product	Period		
	2020/august	2021/august	2022/august
Cereals	97.6	125.2	137.2
Wheat	98.0	116.7	154.7
Maize	101.0	142.5	125.4
Indices type: index - from January to the current month (the same period previous year = 100)			

Presentation of the author based on data from Statistical Office of the Republic of Serbia

Source: <https://data.stat.gov.rs/Home/Result/03020203?languageCode=en-US>, downloaded 17.10.2022 23:06

“The Food and Agricultural Organization of the United Nations “has a “Sustainable Food Value Chains Knowledge Platform” for educating both small and big agricultural producers. This platform is based on FAO’s sustainable food value chain (SFVC) framework. The SFVC framework integrates two concepts that have become popular in development thinking and practice over the last decade: sustainability and value chains. These concepts are not always well understood and may be interpreted differently by different people. By being specific about the concepts and how they fit together, the SFVC framework aims to promote a better understanding of their fundamental nature, to facilitate more effective knowledge exchange and implementation (Food and Agriculture Organization of the United Nations 2022).

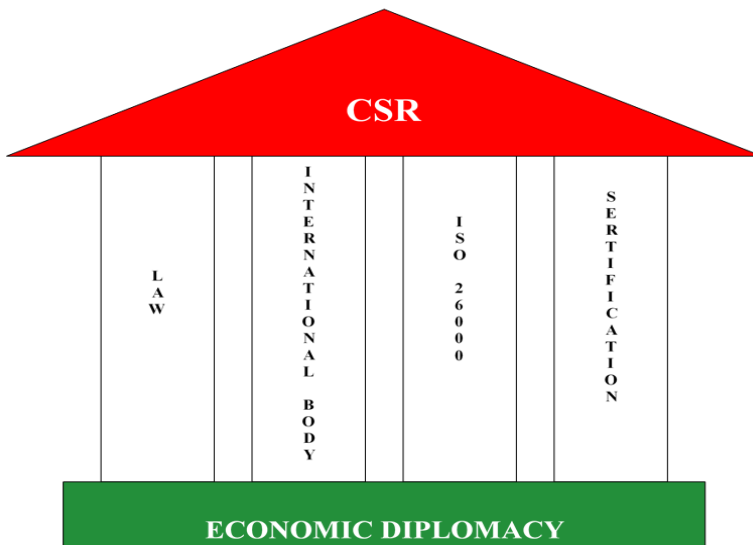
The crisis is evident, the rise of inflation rate and difficulties connected with energy supply have a really great impact on further production and supply of agricultural products. How can we make some improvements in the organization of agricultural production? We can take all the opportunities and comparative advantages of our economy. To use all available resources to improve production, to reduce costs, save energy and increase profits.

Against the backdrop of rising global food insecurity, a recent International Monetary Fund (IMF) paper estimated that higher food and fertilizer import prices will add \$9 billion in 2022 and 2023 to the balance of payments of the 48 most affected countries. The war in Ukraine continues to affect food production and distribution amidst a worldwide food crisis already stressed by regional conflicts, climate shocks, and the pandemic. The IMF paper identifies 48 countries, primarily low-income countries in the Sahel and other parts of Sub-Saharan Africa, that are most affected because they face significant import price pressures or have portions of their populations experiencing acute food insecurity, as defined by the World Food Programme (WFP). From a fiscal perspective, the analysis suggests that \$5 billion to \$7 billion in further spending is needed to assist vulnerable households in these countries. An additional \$50 billion is required to end acute food insecurity over the next 12 months (Food security update2022).

The goal is to increase agricultural production, but with a reduction in pollution, which means production in a socially responsible manner. It is crucial to respect the laws and ensure sustainable agricultural production in a sustainable way.

That is why it is necessary to clearly and precisely define the criteria and conditions for measuring CSR in a unique way. This requires the adoption of laws on CSR, the establishment of an international body for CSR control based on the ISO 26000 standard, and the certification of companies that are socially responsible. Successful implementation of CSR is possible, if it is built on solid foundations, with the help of economic diplomacy, and pillars based on compliance with the law, constitution of a body for control and certification of companies in terms of CSR based on compliance with the ISO 26000 standard, (Dejanović 2015).

**Figure4.** Foundations and pillars of successful CSR implementation



Source: Dejanović, M., (2015). Socially responsible behavior and economic diplomacy, ZadužbinaAndrejević, 75.

Serbia has a competitive advantage when we talk about agricultural production, first of all in the availability of arable land, then favorable climate, the possibility of organic production, as well as the production of certain autochthonous agricultural varieties. The disadvantage is the existence of a large number of small agricultural farms that are not well organized, which need education both in terms of production, as well as in terms of the application of fertilizers, and plant protection products. Association agricultural producers in cooperatives would enable lower costs and more favorable prices and higher profits. Serbia's agriculture must be organized on the principles of state development.

Socially responsible behavior has a special dimension that is much wider than the financial moment. It rises to a higher and more significant level of general concern for civil society and the nation-state. However, the example of moving dirty and heavy industries from developed and less developed countries of the world is not socially responsible behavior. With that, we just transferred the load from one yard to another. Therefore, we must understand socially responsible behavior as a generally responsible concept of work and behavior that takes care of the environmental protection of the entire planet (Dejanović 2013).

Agricultural production is a very important part of the economy of each country because its main task is to obtain food supply with respect to crucial elements of sustainable development.

In the European Union, the Common Agricultural Policy aims to increase agricultural productivity through various methods; to stabilize markets; to ensure fair standard of living for farmers and reasonable prices for consumers – therefore CAP aims at providing food security for the EU citizens, but in a complex manner that ensures sustainable development, the transition toward the green and circular economy, diverse and prosperous in the rural areas. The latter should not be dependent on agricultural activities (Constantin et al., 2021).

## Conclusions

The main conclusions of this study are that inflation and the economic crisis deepened after the Covid-19 pandemic, and were further aggravated by the political crisis due to the war in Ukraine and the introduction of sanctions against Russia. This made it difficult to supply energy, causing an energy crisis that pushed the already faltering world economy into an even greater economic abyss. Ahead of the coming winter, the world faces a dangerous energy crisis, which further increases inflation, given that rising energy prices are multiplied in the supply chain. Thus, due to the increase in energy prices, the price of transportation, production, wholesale and retail sales increases agricultural products. Small countries do not have the possibility to influence energy prices on the global market with their policies and are directly exposed to the effect of imported inflation. The only way to mitigate the negative effects of the crisis is to ensure the supply of basic necessities of life.

## Conflict of interests

The author declare no conflict of interest.

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