
AGRICULTURAL BUDGET IN THE FUNCTION OF ORGANIC AGRICULTURE DEVELOPMENT IN SERBIA AND MONTENEGRO

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ABSTRACT

Organic agricultural production requires higher financial investments than conventional agricultural production. Seed prices are higher, labor costs are higher, and there is the additional cost of certification. That is why the existence of incentive measures of agricultural policy is necessary for organic agriculture. The aim of the paper is to present the incentives paid from the agricultural budget for organic agriculture in Serbia and Montenegro. The authors conclude that subsidies for organic agriculture, although they are paid continuously and are a significant incentive, have a small percentage share in the agricultural budget in both countries. In Serbia, 1% and 3% of registered farms in Montenegro practice organic agriculture.

Introduction

Organic agricultural production is a very current subject of research in the scientific works of researchers and scientists at the global level. Agricultural policy measures are necessary for organic agriculture. According to (Wu, Marette, 2020) the development of this production has seen an expansion in the last three decades, because “policy makers have tried to develop regulations for providing sufficient incentives to farmers to adopt organic farming”.

In the literature, there are positions according to which organic production can be characterized as sustainable agricultural development, as well as that “the organic

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production is based on an essential connection between agriculture and nature, with a focus on respecting the natural balance” (Mihailović, Brzaković, 2018; p. 127).

The development of this method of agricultural production was conditioned by the need to preserve a healthy environment, as well as food safety. Some authors (Clark, 2020) present the results of their research, which say that “organic farming is more efficient in its use of non-renewable energy, maintains or improves soil quality, and has less of a detrimental effect on water quality and biodiversity”. According to (Katic et al., 2008; p. 271) organic production is a type of production that ensures the harmony of environmental protection requirements and production based on natural processes. Bearing in mind that organic agriculture is a labor-intensive activity, its importance is also in the employment of residents of rural areas, especially women, which is also important for reducing the depopulation of these areas (Pejanović, 2013).

Organic agricultural production requires larger financial investments considering that it has higher production costs. First of all, labor costs are higher, input prices are higher, and the cost of certification puts an additional burden on producers. On the other hand, it is necessary to pass a minimum of three years, which is necessary for the conversion of the land, in order for the production to be considered organic. Only then can producers make their first income. In order for organic production to take place and develop in the correct way, continuous education of producers is also needed (Mihailović et al., 2007, p. 88). In addition to education about production methods, financial education is also important, because “the level of farmers’ financial knowledge is low” (Zakić et al., 2017; p. 1651).

EU is a significant producer of organic food on a global scale. Financial support through the CAP also contributed to this. A group of authors (Krstić et al., 2017; p. 968) state “the assets meant for organic agriculture, from the European Agricultural Fund for Rural Development (EAFRD) for the period of 2014-2020 are 6.4% of the total EAFRD fund.” The author (Ignatenko, 2020) points out that “the highest level of development of the organic agriculture was reached by Italy, France and Germany” ... “these three countries have been designated as the “countries of good practices” in the EU. According to (Sredojević et al., 2017), in order to encourage investment and improve the competitiveness of economic entities in the organic sector, better quality credit lines for investments are needed, as well as support from other agricultural policy measures, primarily stimulating tax relief.

In Serbia, according to researchers (Tomaš-Simin et al., 2019; p. 265), organic agricultural production “is legally a well-regulated area, but still not developed to the necessary and possible extent”. The accelerated development of organic agriculture was recorded at the beginning of the 21st century, especially in Vojvodina, and this is also the result of well-organized producers (Pejanović, Njegovan, 2011). According to research data (Radović, Jeločnik, 2021; p. 22) “the share of organic farms in the total number of agricultural ventures is about 1%. Serbia’s portion in the global supply of organic food and agricultural products is only 0.2%”. Certainly, there are numerous

reasons for the underdevelopment of organic agriculture in Serbia, among which is the low level of incentives, which was a significant limitation for faster development (Radović et al, 2011). The authors (Roljević-Nikolić et al, 2017; 334) based their analysis on a comparison with the European Union and on that occasion came to the conclusion “intensive growth of organic farming in the EU provides a stable support both in terms of rate and financial resources, while in Serbia has been changed not only amount of support from year to year but also types of support”. The financial support of the state is necessary for the development of organic agriculture in Serbia, given that most producers do not have their own accumulation, i.e., sources of self-financing, as well as the unfavorable lending conditions of commercial banks (Radović, 2018).

In Montenegro, organic agriculture is of vital interest to the state. Bearing in mind that organic agriculture is based on the principles of sustainable development and maximum environmental protection, it is clear why it is of strategic importance for this country, where ecology is of vital interest. Particularly favorable agro-ecological conditions exist in Bijelo Polje, Berane, Andrijevica and Plav. According to the author’s assessment (Zejak, 2020), good agroecological conditions are also the result of the fact that due to the economic crisis, farmers use little artificial fertilizers and chemical agents even in conventional production. In the last ten years, the areas under organic certified production have increased by 30% (Bataković, Matavulj, 2022). As in other countries, in Montenegro, subsidies from the relevant ministry contribute significantly to the development of organic agriculture (Zejak et al, 2022).

Materials and methods

The aim of the paper is to present the incentives paid from the agricultural budget for organic agriculture in Serbia and Montenegro. For this purpose, the authors use the method of analysis and synthesis, as well as the descriptive and static method. The research uses available statistical data, as well as data from the relevant ministries on the amounts of subsidies for organic agriculture in both countries. For the purpose of the research, the current normative framework, i.e. laws, rules and regulations, is analyzed.

Research results

Organic production has existed in Serbia and Montenegro since the 1990s. Subsidies have been paid from the agricultural budget in Serbia since 2005, and in Montenegro since 2006. As part of the research, the level of these incentives, their percentage participation in the agricultural budget by individual years, as well in the entire analyzed period.

Serbia

The initial forms of organic agriculture appeared in Serbia in the 80s of the 20th century. More significant results were recorded during the 90s of the 20th century, when the first export of organic products was conducted. However, these products were sold in small quantities on the domestic market. Some authors are of the opinion that the mentioned

period can be ignored because organic agriculture was then minimally represented within the entire agricultural production (Sredojević et al, 2017). The organized making has existed since 2000. The first law was then passed for this type of production, which was harmonized with the regulations of the EU. Also, the necessary regulations and other normative acts were adopted at that time. In addition to state institutions, foreign development agencies, as well as the non-governmental sector, provided significant support for development. The current Law on Organic Production was adopted at the session of the Republic Assembly, held in May 2010, and entered into force on January 1, 2011 (Zakon RS, 2010).

A more precisely defined normative framework enabled a faster development of this type of production. For example, from 2010 to 2019, the total number of producers in the organic production system in Serbia increased by 45 times (Radović, Jeločnik, 2021). The development was also the result of the activities of the national association “Serbia Organika”, which was founded in 2009.

In addition to the law, the current normative framework consists of rulebooks, the most important of which are: Rulebook on control and certification in organic production and methods of organic production (RS Rulebook, 2020) and Rulebook on documentation to be submitted to the authorized control organization for issuing a certificate, as well as conditions and the method of selling organic products (Regulations of the RS, 2016).

In the initial years, there were only individual certificate holders, while the organization of production through group certification has been developing since 2011. Then the Rulebook on control and certification in organic production and organic production methods was adopted (RS Rulebook, 2011). According to official data, there were a total of 6,261 producers in organic production in Serbia in 2019, of which as many as 5,727, i.e. 91%, were subcontractors, who were in the group production system (Simić 2020; p. 32). According to the last published official data, in 2021 there were a total of 6,421 producers involved in organic production, which represents about 1% of the total number of registered agricultural farms, according to the results of the last Agricultural Census (Cvijanović et al., 2012). In 2021, there were 23,527 hectares under organic production, and organic fruit growing was the most represented in the production structure, which covered 36% of the total areas. In the same year, 2021, an increase in the number of sheep, cattle and poultry was recorded in the system of organic livestock production (Organic News-63).

The institutions responsible for the organic agriculture in Serbia are: the Group for Organic Production at the Ministry of Agriculture, Forestry and Water Management and the Expert Council for Organic Production. The importance of the development of organic agriculture was also recognized by the Committee for the Village of the Serbian Academy of Sciences and Arts, which included this production in the development priorities within the National Program for the Revival of the Village of Serbia (National Team for the Revival of the Village, 2020).

Incentives from the agricultural budget

Subsidies for organic agriculture are defined every year by decrees on the distribution of incentives in agriculture and rural development, which are adopted by the Government of the Republic of Serbia. The method of realization of subsidies is defined by the rules, namely: the Rulebook on the use of incentives in organic plant production and the Rulebook on the use of incentives for organic livestock production. Only registered agricultural holdings are entitled to these incentives, which are also obliged to have a contract with an authorized organization for the certification of organic agricultural production.

Table 1. Agricultural budget and subsidies for organic agriculture 2013-2022

Year	Agrarian budget (in millions of RSD)	Subsidies for organic agriculture (in millions of RSD)	Participation of subsidies for organic agriculture in the agricultural budget (in %)
2013	44,699.5	200.0	0.45
2014	45,427.2	93.7	0.21
2015	45,308.2	92.0	0.20
2016	40,465.7	91.0	0.22
2017	43,787.6	90.0	0.21
2018	44,109.2	110.0	0.25
2019	54,614.7	108.0	0.20
2020	56,067.9	350.0	0.62
2021	60,271.3	200,0	0.33
2022	78,571.5	380.0	0.48
AVERAGE PARTICIPATION:			0.32

Source: Ministry of Agriculture, Forestry and Water Management of the RS, Regulations 2013-2022. Edited by the authors.

Annual allocations from the agricultural budget for subsidies for organic agriculture, as well as the average allocation for the analyzed period (2013-2022), were less than 1%. The total subsidies for organic production were the highest in absolute terms in the last analyzed year (*Table 1*). Specifically, in 2022, total incentives for organic production amounted to RSD 380 million. Of this amount, RSD 80 million was reserved for incentives for organic crop production, and RSD 300 million for incentives for organic livestock production (Regulation, 2022).

The amounts of incentives in organic crop and livestock production are higher compared to incentives in conventional production, and the percentage difference is shown in *Table 2* and *Table 3*.

Table 2. Subsidies for organic plant production 2014-2022

Year	Increase in subsidies for organic production compared to conventional production (in %)	Subsidies for organic production per hectare (in RSD)
2014	40%	8.400
2015	40%	8.400
2016	40%	2.800
2017	70%	3.400
2018	70%	6.800
2019	120%	11.440
2020	400%	26.000
2021	550%	26.000
2022	250%	31.500

Source: Ministry of Agriculture, Forestry and Water Management of the Republic of Serbia

The biggest difference in the amounts of incentives in organic and conventional crop production was in 2021. The highest absolute amount of incentives per hectare was in the last analyzed year, i.e. in 2022 (*Table 2*). The maximum amount of incentive per user, for organic crop production, was RSD 630,000 in 2022. (Regulations of the RS, 2021).

Table 3. Subsidies for organic livestock production in 2020

Type of subsidies	Increase in subsidies for organic production compared to conventional production (in %)
Premium for milk produced by the organic production method	40%
Cattle fattening	40%
Fattening lambs	40%
Fattening kids	40%
Pig fattening	40%
Lactating cows	40%
Bee hives	40%
Production of edible fish	40%
Cows for raising calves for fattening	40%
Quality breeding dairy cows	40%
Quality breeding fattening cows and bulls	40%
Quality breeding sheep and rams, goats and male goats	40%
Quality breeding sows and boars	40%
Parent hens of heavy type	40%
Parent hens of light type	40%
Parent turkeys	40%
Quality breeding queens of carp fish	40%
Quality breeding queens of trout fish	40%

Source: Rulebook on the use of incentives for organic livestock production, Službeni glasnik RS number 25/2020.

In Serbia, the increase in subsidies for organic livestock production, compared to conventional production, according to current regulations, is 40% for all types of domestic animals (*Table 3*).

Montenegro

Organic production in Montenegro has existed since the beginning of the 90s of the 20th century. The development was supported by the realization of numerous projects, which were financed by international organizations, as well as the Ministry of Agriculture, Forestry and Water Management. Professional support was provided by the Biotechnical Faculty in Podgorica. Organic agriculture has been developing more rapidly since 2004, when the first law and by-laws in this area were adopted, and then the first producers were certified (Šebek, 2020). According to data (Zejak, 2010), the association “Production of healthy food” was founded in Nikšić in 2004, and the “Center for Agricultural Development” in Bijelo Polje, as the first in this area. According to (Mirecki, 2014) “in Montenegro, the Law on Organic Production currently in force was adopted in 2013 and was harmonized with the Council Regulation No. 834/2007”. In the current period, the law, which was adopted in 2013 (Law of Montenegro, 2013), is in force, and the drafting of the new Law on organic production is underway.

In addition to the law, the current normative framework consists of rulebooks, the most important of which are: Rulebook on detailed rules and conditions for crop and livestock organic production (Regulations of Montenegro, 2014), Rulebook on detailed content, method of registration and management of the Register of entities in organic production (Regulations Montenegro, 2015), Rulebook on the method and methodology of professional control in organic production (Regulations of Montenegro, 2015a), Rulebook on the content and size of the organic production sign (Regulations of Montenegro, 2016), Rulebook on detailed conditions and rules for processing, packaging, transport and storage of organic products (Regulations of Montenegro, 2016a), Rulebook on closer rules and conditions of organic production for aquaculture animals and seaweed (Regulations of Montenegro, 2017).

In addition to the Ministry of Agriculture, Forestry and Water Management, institutions of importance for the development of organic agriculture in Montenegro are: National Certification and Control Body “Monteorganica”, which was founded in 2005, and National Association of Organic Producers of Montenegro “Organic Montenegro”. The association was founded in 2011.

In Montenegro, 255 hectares were under organic production in 2006, and 4822.77 hectares in 2020. There were only 15 producers in organic production in 2006, and 423 in 2020 (Zejak et al., 2022). According to “Monteorganica” data, in 2021 there were 424 producers in organic crop production, of which the most, 371 producers were engaged in fruit growing. Other producers were engaged in farming, production of medicinal herbs and vegetables, while 64 producers were engaged in organic livestock production, among which the most, as many as 56, engaged in beekeeping (Bataković,

Matavulj, 2022). Based on the above, it can be concluded that in Montenegro, in 2021, there were a total of 488 producers in organic production, which represents 3.29% of the total number of registered agricultural farms in this country. Specifically, according to statistical data of the Ministry of Agriculture, Forestry and Water Management in Montenegro, there were 14,831 registered agricultural farms in July 2021 (<https://www.gov.me/mpsv>).

Incentives from the agricultural budget

Subsidies for organic farming are paid per hectare and head. The costs of organic certificates, as well as the placement of organic products, are also subsidized. Every year, the Directorate for Payments publishes a public call and criteria for support measures, and producers apply for support by submitting a control report, which was carried out by a certification body (Bataković, Matavulj, 2022).

Table 4. Agricultural budget and subsidies for organic agriculture 2006-2022

Year	Agrarian budget - without donations and credits (in millions of €)	Subsidies for organic agriculture (in 000 of €)	Participation of subsidies for organic agriculture in the agricultural budget (in %)
2006	7.9	120	1.52
2007	10.8	150	1.38
2008	14.8	165	1.12
2009	19.8	165	0.84
2010	18.7	350	1.87
2011	15.7	685	4.35
2012	14.6	568	3.90
2013	14.1	100	0.71
2014	14.0	150	1.07
2015	15.0	200	1.34
2016	16.2	250	1.54
2017	16.9	300	1.78
2018	18.8	350	1.86
2019	22.3	400	1.79
2020	24.4	400	1.64
2021	27.2	450	1.66
2022	41.9	450	1.07
AVERAGE PARTICIPATION:			1.73

Source: Ministry of Agriculture, Forestry and Water Management of the Montenegro <https://www.gov.me/mpsv/agrobudzet>. Edited by the authors.

The total amount of these subsidies had the largest share in the agricultural budget in 2011 (4.35%). In the following years, participation decreased, but it is important that continuity in this support has been maintained. The average share of subsidies for the development of organic production in the agricultural budget, from the first year of their introduction, and ending with 2022, was 1.73% (*Table 4*).

Agricultural producers registered in the Register of Agricultural Farms and the Register of Organic Production Subjects are entitled to subsidies paid from the agricultural budget as part of the measure for sustainable management of natural resources. The current amounts of subsidies in organic crop and livestock production are shown in *Table 5*.

Table 5. Subsidies in organic crop and livestock production in 2022

Type of subsidies	Subsidy amount (in €)
for perennial crops	400 €/ha
for agricultural production	250 €/ha
for vegetable production	350 €/ha
for conditional head of cows and heifers	100 €/head
for conditional head of sheep and goats	100 €/ head
for poultry	2 €/ head
for bee colonies	40 €/colony

Source: Bataković, Matavulj, 2022, p.10. Edited by the authors.

The largest amount of subsidies in organic production, in 2022, was in fruit growing. In Montenegro, the largest number of producers in organic agriculture is engaged in fruit growing.

Table 6. Types and amounts of subsidies for the placement of organic products in 2022

Type of subsidies	Subsidy amount (in €/kg/lit/pc.)
for stone fruits, for apples	0.25
for berries	0.50
for southern fruit	0.70
for vegetables	0.30 - 0.80
for field crops	0.10 - 0.20
for confectionery products	0.40
for honey	2.00
for products of animal origin	2.30
for products of plant origin	1.50
for fruit juices	0.80
for alcoholic beverages	0.10
for eggs	0.10

Source: Bataković, Matavulj, 2022, p. 10, Edited by the authors.

In addition to subsidies for organic crop and livestock production, producers who are registered in the Register of Agricultural Farms and the Register of Organic Production Subjects are also entitled to subsidies for marketing, i.e. placement of organic products. In order to realize the right to subsidies, it is necessary to have a certificate issued by an accredited body for organic production, as well as to have relevant evidence of the placement of organic products on the market (Bataković, Matavulj, 2022). The types and amounts of subsidies for the placement of organic products are shown in *Table 6*.

In Montenegro, the right to subsidies can be achieved by certification and control bodies, if they meet the prescribed criteria defined by the public invitation. By exercising the right to subsidies, they are obliged to provide free services to producers. €85,332.12 was reserved for these incentives in the agricultural budget for 2022 (Bataković, Matavulj, 2022, p. 10).

Conclusion

Organic agriculture is a potential model of agricultural development in Serbia and Montenegro. In both countries, the majority of producers own small areas of agricultural land, and due to the lack of financial resources, they do not use chemical preparations and fertilizers, so that the land is suitable for organic production. Therefore, incentive measures of agricultural policy are needed in order to develop and maintain this production. Subsidies are necessary because organic agricultural production has higher costs compared to conventional production. The costs are primarily increased by labor costs, because this production is labor-intensive, that is, it requires a lot of manual work. There is also the additional cost of certification, which significantly burdens the total costs.

Incentive measures of agricultural policy for organic agriculture exist in Serbia and Montenegro and were introduced at approximately the same time. In Serbia in 2005, and in Montenegro in 2006. In both countries, there is a necessary normative framework, i.e. laws and regulations, as well as appropriate support from institutions, and there are also organizations responsible for the development of organic agriculture. Based on the conducted research, it can be concluded that, both in Serbia and Montenegro, subsidies, although they are a significant support for the development of organic agriculture, have a small percentage share in the agricultural budget and on an annual level, as well as an average percentage share in the entire analyzed period.

Conflict of interests

The authors declare no conflict of interest.

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