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PERSPECTIVES AND FACILITES IN DEVELOPMENT OF VITICULTURE IN SERBIA

Božidar Mihajlović¹, Branislava Sivčev², Daliborka Petrović³, Zorica Ranković Vasić⁴

Abstract

*This “Bahus beverage” represents the most marketed product among all those which are preferred to be labeled as ecologic. Therefore, Zenobije, the Athenian, (sixth century before Christ), the best expert of wine soul, made a famous statement - *En oino eleteia*- which was later translated by the Romans into- *In vino veritas*- which we then literally embedded it in our everyday life-**Truth is in the wine**. So, the wine has no definition. All those experiences, which had been gathered during many millenniums and passed from generation to generation through myths and legends, enable the human beings to enjoy in many different pleasures. They also raise the wine to the level of divine drink, assigning even new meanings to it- victory of life and prudence of senses.*

So, considering the geographical and climatic position of the country, Serbia has all necessary conditions for solid growing table and wine varieties and wine production. Precisely because of these conditions, these products get their medical recognition, which means that for example wine, as cultural taste of modern human being, can be in function of preserving and preventing the humane health. And this is the main factor, which can bring million foreign in come to the country and employ 250 to 300 thousand people. It is even desirable to create small and medium enterprises, or business inside the family household with all preconditions, which this kind of activity demands.

Key words, *natural beverage wine, export product, development*

Grape and wine production issues in the world and in the European Union

World-wide wine production in the Old World is on the decrease. This matter is due to the depleted wine consumption in traditional consumer countries, clearing of outdated vineyards without their recovery and establishment of the new ones, as well

1 Ph.D., Megatrend University Belgrade

2 Ph.D., Faculty of Agriculture, BU

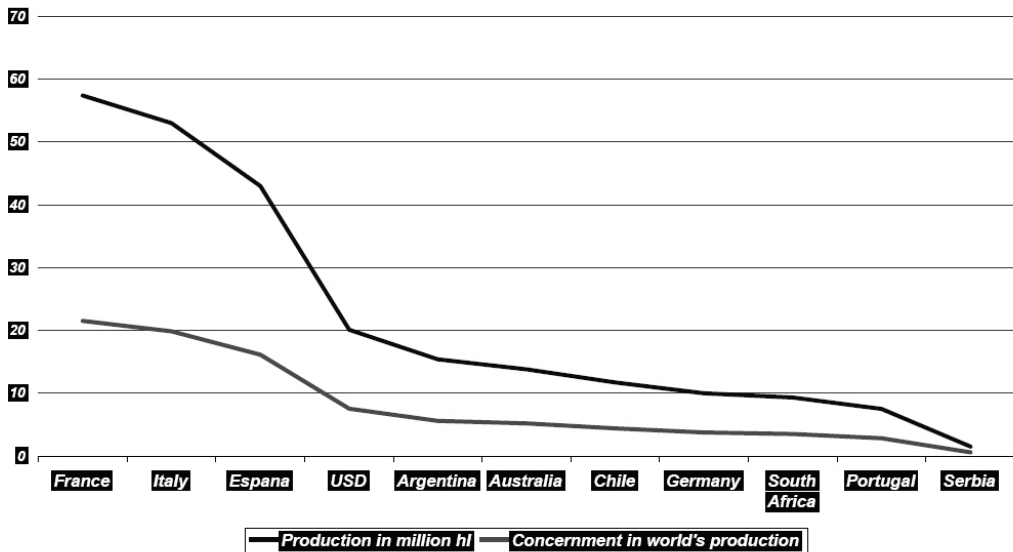
3 M.Sc, Megatrend University Belgrade

4 M.Sc., Faculty of Agriculture, BU

as an expansion of high-quality wine from the New World. According to the data from the International Organization of Vine and Wine (OIV), 266.7 million hectolitres of wine were produced in the world during 2007, which is by 6.9% less than in 2006. Wine consumption has remained unaltered, that is 240.6 million hectolitres. About 7,889 million hectares of vineyards were used for wine production, which was less in comparison with 7,908 million hectares in 2006. The greatest drop in production was recorded in the European Union. They even reached the point when they included financial support for the producers who decided to clear their own vineyards. Thus they eliminated the side effect of surplus wine and, while at the same time, they also encouraged firm preference for the producers who were to stay within the vineyard and wine sector, and that through new regulations and stipulations.

Great breakthrough of the offer of wine from South America, South Africa and Australia to the world market was recorded during the last decade of the millennium. Between the years 1999 and 2004, China almost tripled the surface covered in vine, while in the year 2005, 20,000 hectares of noble vine were planted there, which has grown up to 491,000 hectares since then. Australia has done the same, and now it has its own vineyard potential on 164,000 hectares. On the other hand, vineyard areas in France decrease, but not as rapidly as predicted. Decrease in the vine areas in EU has been alleviated through timely implementation of economic measures and passing new stipulations.

Fig. 1 Wine production in leading country in the year 2008



Source: OIV and the Chamber of Commerce of the Republic of Serbia

Changes of laws in the wine sector have slowed down the drop. The French have cleared their vineyards to nearly 10,000 hectares, so that they no longer cultivate

996,000 hectares of vineyard but rather 889,000. Quality is the key to success in France. The strategy of agricultural products with "geographic indications" (GLs) has been construed within the National Institute for Origin and Quality (Institut National des Appellations d'Origine – INAO). In addition, one should also know that: 90% out of the the total grape production in France is used for wine production, 50% of vineyards have their own wine cellars enclosed, 70% of wines make those with geographic origin while from 870 000 ha grapes is harvested and the wine with the controlled quality origin and the controlled and guaranteed origin and quality (PDO / PGI system) is produced.

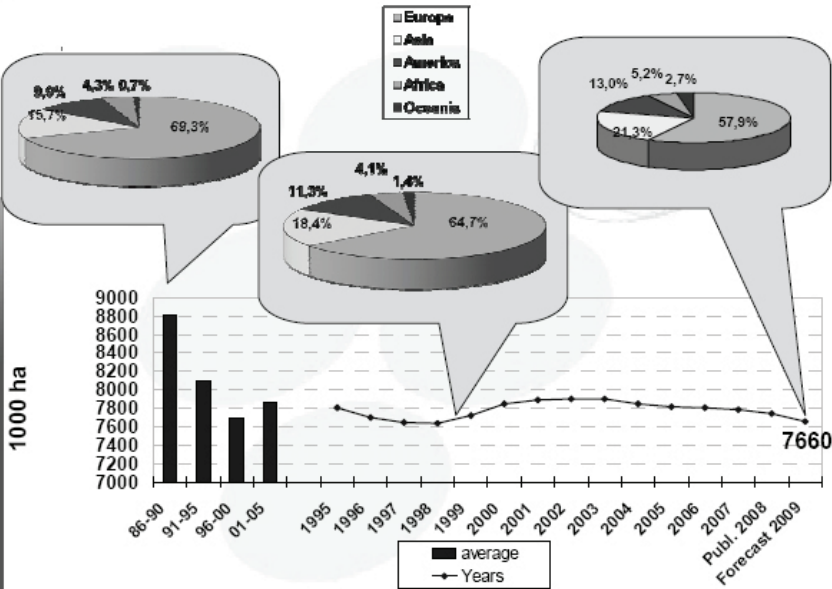
Alternations in surfaces and production of grapes and wine (charts 2 and 3) have been clearly presented in the 33rd OIV Congress, held in Tbilisi in 2010. When it comes to financial issues, the drop in the world wine offer to 61.1 % has been recorded with five leading European wine exporters – Germany, France, Italy, Portugal and Spain, even though they used to hold 78.8% of the world market production, near the end of the eighties of the previous century. Therefore OIV (the International Organization of Vine and Wine) warns that decrease in wine consumption might cause great problems for vintners in the countries, such as Italy, in which domestic demand traditionally stimulates production.

Producers from South America – Argentina, Chile, UAR, Australia and New Zeland record all the bigger share in the world production of wine. Producers from the mentioned part of the world had the share of about 3.1% in the world wine commerce during the period 1986-1990. Now, that percentage is 28%. The New World producers have also recorded increasing consumption of wine. E.g. about 20 million hectolitres of wine are produced in USA, while the consumption exceeds 26.5 million thereof. According to experts, increase in the wine consumption in this country is also the consequence of the immense advertising effort and skill. It has also influenced the import, since the import of foreign wines has greatly increased in order to satisfy domestic demand. Serbian wines are present on the American market too. When it comes to other countries from the South American continent, e.g. Brasil, its wine production has also increased, so that the country is expected to become influential wine force.

In the East, in the Asian continent, China and India also develop their wine production.



Fig 2 Surface area of vineyards worldwide

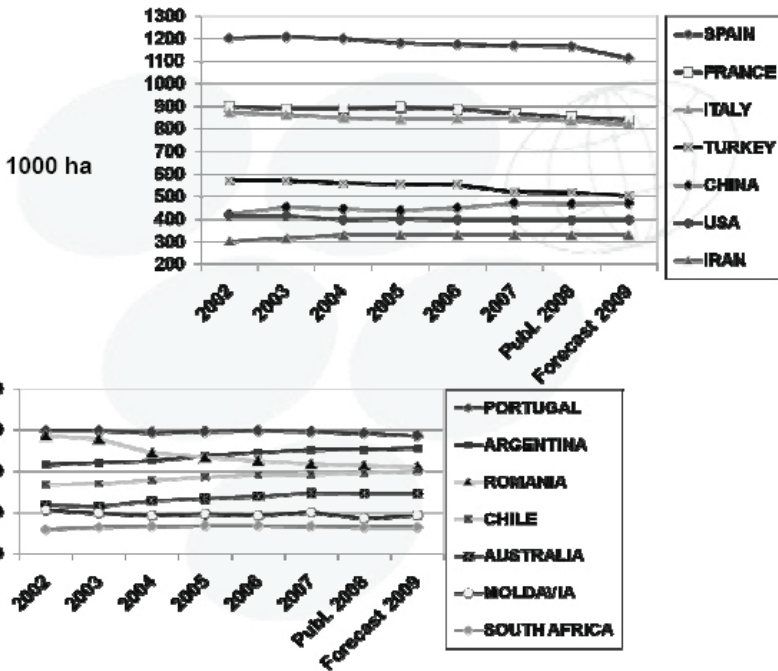


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Fig 3 Recent developments of the leading vineyards



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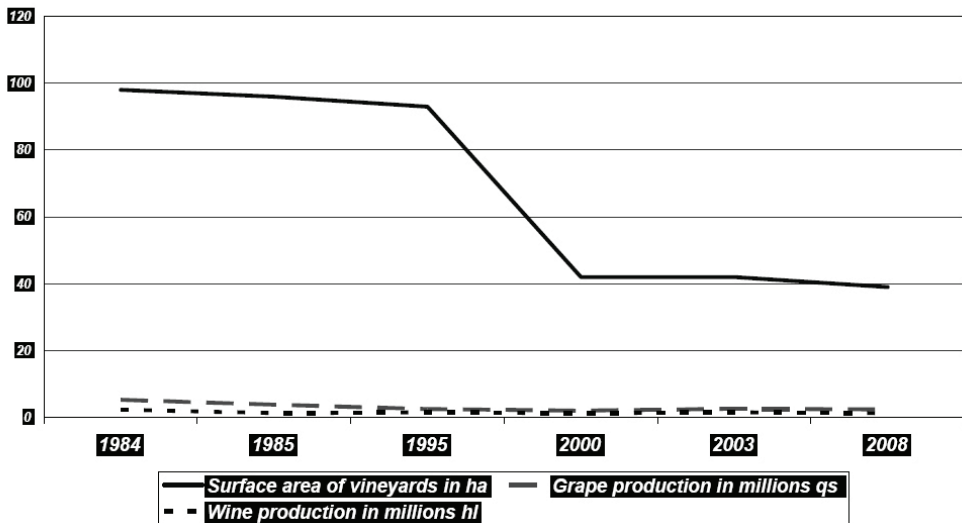
Production potential of Serbian Vineyards

Vine is a perennial plant, the exploitation period of which should last between 30 and 40 years, depending on the cultivar selection, technological requirements and innovations. Therefore, the wine offer variety is of almost the same duration, since the wine cultivar determines production of a particular kind of wine. Vine is a widely adaptable plant, so that various cultivars have the ability to behave in a different manner under different circumstances while preserving all valuable characteristics. A creative space, viewed through time and accompanying requirements of the society, has been created through simultaneous development and spreading of autochthonous, new and introduced cultivars.

The other factor relevant for deciding upon vine planting is a high price of the plant growing. The Ministry of Agriculture, Forestry and Water Management of Serbia has passed a regulation prescribing obligatory analysis of soil and suitability assessment based exclusively on chemical characteristics of the soil. Geological foundation, terrain topography and physical characteristics of soil make its chemical characteristics. Therefore, one should insist upon a detailed soil analysis in order to prevent future mistakes and make production of the quality grapes stable, without considerable oscillations. Vineyards with autochthonous cultivars will be established with standard planting material, since it is the only one available on the domestic market. New vineyards with newly-produced and introduced cultivars should be established with certified planting material. Thus expansion of invasive kinds of insects, phytoplasma and their potential host plants would be prevented/delayed. Observation of the existing vine growing areas and potential changes in terms of spreading/diminishing is carried out through the forecast of climatic changes.

A potential vineyard or wine cellar owner/beneficiary, on the one side, and the Ministry of Agriculture, Forestry and Water Management, as a donor implementing subsidies, on the other side, cannot, as individuals, implement all these requirements. The important link are scientific-educational institutions which could use their knowledge and abilities to make implementation of all five major elements of "geographic identification" (GIs) preservation easier. The mentioned primarily refers to the promotion of typical characteristics of the product, motivation and coherence for initiating partnership, confirmation of advertising through the information provided for the producers which are ready to pay, adequate system of product protection and control.

Over the past twenty years, the surface under vineyards decreased by 25,000 ha, or 25,000 ha annually, on the territory of the Federal Republic of Yugoslavia, that is on the present territory of Serbia. Besides, data from the official statistical records and the Business Association "Serbia wine", in the possession of the records concerning the area of Serbia, differ considerably. Regardless of the data source, one may draw a conclusion that the grape and wine production annual rate of growth of 3% is hard to achieve provided that we do not pay enough attention to grape growing. Even though the planting fund has considerably depleted, there is a variety of cultivars, from autochthonous ones, newly-produced domestic ones, to the cultivars known all over the world.

Fig.4 Surface area of vineyards, grape and wine production in Serbia

Data source: "Serbia wine", the Official Gazette of the Republic of Serbia, the Official Gazette of the Federal Republic of Yugoslavia

The new law took effect in 2009, and ever since it has made production of wine with geographic origin much easier through the use of designations for the wine with geographic origin. Changes have been made in the structure of grape growing production areas, so that producers now have the opportunity to produce high-quality wines on wider geographic areas. The new regionalization of geographic grape-growing production areas has begun (the part concerning names, area borders, cultivars, maximum allowed yields). Thus conditions have been created for the production spreading over the large geographic areas (Vojvodina, Central Serbia, Kosovo and Metohija), for quality wines PDO⁵. and high-quality wines PDO⁶ on the territory of the region PGI (with GIs), which is a partial solution to the problem concerning the lack of quality raw material, that is grapes.

Pertaining capacities of Serbian vineyard

Processing capacities have been constructed without any plan, so that today we have tens thousands tons of free processing space, which is mainly socially-/stately-owned, without any accompanying production areas / vineyards. There are processing capacities of 30,000 wagons in the central area of Serbia, 7,200 wagons in Vojvodina

5 Controlled Origin and Quality (K.P.K. kontrolisano poreklo i kvalitet)

6 Controlled and Guaranteed Origin and Quality (K.G.K.P. kontrolisano i garantovano poreklo i kvalitet)

and 8,000 wagons in Kosmet. Besides, Serbia has many commercial cellars, capable of processing 1,180 wagons of wine and other grape products, at its disposal.

According to the previous experience, wine processing in small processing capacities improves the wine quality, so that cultivar characteristics of vine become more obvious.

Grape growing and wine producing term "terroir" denotes to a particular geographic area, complexly observed through physical and biological measures of environmental protection and implementation of grape growing–wine producing practice, providing its development through clear characteristics of grape and wine products originating from the given area (Resolution OIV/VITI 333, 2010). Implementation of definition of the term "terroir" should help implement the Resolution VITI/04/2006, widen connections within the sector of grape growing and wine production, strengthen economic and cultural relations through the confirmation of division into zones and the use of the term "terroir". Once this definition has been confirmed, descriptive procedures within the grape growing and wine producing sector will be possible to implement, as well as to observe and recognize. It is especially important to point out differences between the descriptive definition of the term "terroir" and the official definition of "geographic identification" GIs (Castellucci, 2010).

Observing the latest definition of the term "terroir" and the potentials existing in Serbia, the recommendation would be to renew, reconstruct the processing capacities, that were constructed during the seventies of the previous century, in almost all vineyards of Serbia, or to build utterly new ones (the Strategy for Vranje Municipality Development, 2007).

Wine– The export product

On achieving appropriate "image" on the domestic market, earlier before, after the sanctions, our wine houses made the possibility to conquer international markets during the following phase of strategic development. It will surely be a very tough work, which will require maximum knowledge, ability and skill in the struggle with foreign competition. International wine market is a strict filter of the former, possibly looser, behaviour on the domestic market. There were rare examples of wine houses which presented a new product on the international market, or rather, such example has not been recorded in our research area. Opening to the international market, our wine houses have to start from the elements which may approximately determine possible events in the future. The existing decisions should, thanks to the earlier experience, be directed towards determination of strategic goals, and they should also operatively control all activities so that they might be carried out more effectively.

The most important factors that might influence our wine houses are institutionalized European economic integrations in which more strict forms of integration are promoted, and in which joint economic policy, as well as the joint market, is established, with all elements of customs and monetary union.

These are the elements which considerably endanger position of our companies

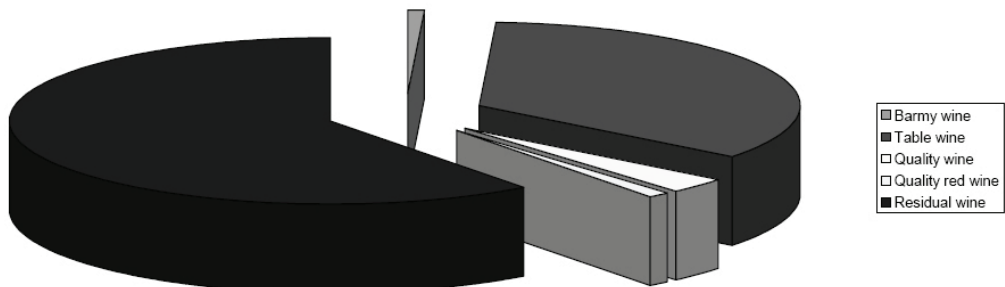
on the markets of the European Union, as well as of other countries our product will be placed on. Due to that matter also arises the question of our approaching European and world integrations, in which our diplomacy might play an important role. All this has a joint goal strategically defined as *"Wine – the export product of Serbia"*.

On the other hand, the former movements of export, that is the ones prior to the sanctions, provide creation of the space for yet more intensive actions. During its final years, the former republic exported almost 1.3-1.4 million hl a year. That makes 20 percent of the total domestic production. The realized production in Serbia covers about one percent of the world production of wine, while potentials are even bigger. So, even under such circumstances, the increase in wine export to the demanding markets such as German, Slovakian, Czech, Russian etc. has been recorded.

Wine quality as success determinant

A very important statement has been mentioned – wine quality is the success determinant, and when creating the strategy for wine export, it should be given the utmost importance. Provided that the standard quality is impossible to maintain, it would then have to be adjusted to the requirements of specific market segments. The recently passed Law on Wine (The Official Gazette of the Republic of Serbia 41/09) is completely in accordance with regulations of the European Union. Therefore, we have taken requirements of the European Union as the standard for our research, considering fulfillment thereof as the foundation for free conquest of other markets as well.

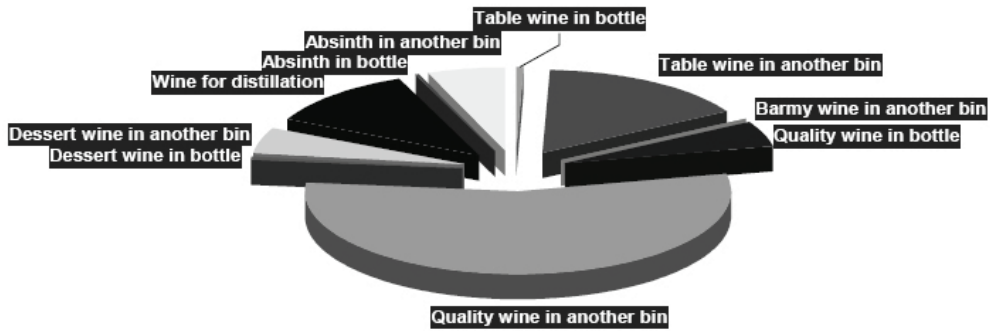
Fig. 5 Export Serbian wines in compatively year 2006 by structure and amount



Source: the Official Gazette of the Republic of Serbia, the Chamber of Commerce of the Republic of Serbia

The exported quantities do not come even close to our possibilities. When it comes to organization and joint performance, there is much to be done. Comeback to the old markets has to be supported by a strong and quality offer on one hand and by the advertising activity on the other one. Maintenance of the standard quality has to be well taken care of. Stipulations of the European Union define many details the aim of which is to prevent deception of consumers. This refers to the allowed label quotations which are not compulsory, then stipulation no. 33/79 which defines the content of alcohol, signs, brands, regulations on the residual sugar content in wine, then the selection of the official language, the letter size on labels, quotations on the wines which do not have geographic origin designations, as well as compulsory entries with import documentation. Sanctions for default of the abovementioned stipulations also include "prohibition" to join the EU market. Certain deviations are allowed, e.g. from the German Wine Law, only in cases when the goods are immaculate from the health point of view and when a breach of regulations is not very serious. While all abovementioned is being determined, the goods have to rest and wait for the "pity" of official bodies, so that actually, it is not recommendable to count to such reliefs. During our researches, we have discovered that, when it comes to our goods, they have many a time been treated unjustly, while there have also been certain cases of the loss of domicile identity, when the goods was transferred to other kinds and origins. Regardless of the first results from the export expansion during the two last years, one may state that the potentials are not sufficiently exploited. Due to the complicated relations ruling the wine market, all activities have to be based on the programs established on the scientific level. According to its elements, wine is a complex product, so that market verification is pretty much relative, demanding much knowledge, persistence and professionalism in order to achieve the expected results. When export and import of our wines are compared, in the year 2003, there was a negative foreign trade balance at the amount of 10 million dollars. Factors influencing the increased import of foreign wines should particularly be investigated. Otherwise, the economy of capital as a determinant of income and profit acquisition will lose its importance, and then the support of the state through the appropriate stimuli will have no effect. Profit recognizes no emotions, the capable ones will survive, as for the rest...

When it comes to realization of the idea from the title, the indicator should be simultaneous sale and advertising policy for the conquest of new markets and restitution of the positions to our traditional markets. As for traditional markets, activities on the advertising plan have to confirm our efforts to preserve production and quality, but the conquest of new markets includes such a strategy which is to be appropriate for all market segment, and there are various tastes. So, one should particularly take care of the matter, while the former presence of our wines confirms that the regional and currency orientation has been good so far, even advantageous, since industrially well-developed countries dominate the investments. According to the realistic predictions, the market of developing countries might be one of the directions of the influence of the programmed marketing activities. The world export until 2010 should exceed **six million tons of wine and the amount of six billion dollars.**

Fig 6 Structure of export wine from Serbia

As for the present state of facts, Serbian wine export cannot act more aggressively in particular market areas on its own, so that the inevitable conclusion would be that the organizational scheme of performance should be restructured in order to unify all relevant factors of the contemporary market business operation, the joint approach should be institutionalized while the market as a regulator of relations and an unavoidable factor on the long-run basis should be respected.

In order to protect or partly protect our wine production, we have to determine mutual regular implementation of interstate agreements between our country and the neighbouring agreement signatories (e.g. Macedonia). In case this statement has been confirmed, we would demand deductions or high-quality standard requirements to be introduced in order to make market competition fairer. Constant deficits incurred during exchanges of our wines with the foreign ones indicates the tendency for destruction of our vineyards. Especially since wines from certain countries enjoy Governmental support in terms of valid stimulations which provide a competitive price when the offer comes to clash with our wines.

Exchange of our wines for e.g. Russian oil should also be included within the strategy of the conquest of new markets or servicing the existing ones. As for the Russian market, that is the market of independent states, one should take advantage of the beneficial treatment for exchange of our goods, either individually or in a packet. The indicative number of 150-200 thousand our workers in Russia confirms the decision of more aggressive performance of our vintners on such markets. The fact that there is a commercial clause with Russia "the most privileged nations", according to which export of our products to Russia and vice versa without customs and other burdens is allowed, also witness the above stated. The principle of "justification to the country" for irrational business operations of wine stores should be abolished. Wine shop man-

agement, as well as the production for sale, have to be modernized based on all levels, through new people and new ideas. Constant education and exchange of professional knowledge is permanent assignment of all profiles of staff. On the other hand, one may notice the necessity to classify the domestic wine brand intended for foreign markets. Transformation of the geographic origin system and the future regionalization will provide better competitiveness of domestic wine producers. In order to give special significance to Serbian wines, strengthen the position of domestic wines when compared to all the more imported ones, and gradual establishment of the brand, the Republic of Serbia has commenced transformation of the geographic origin system and adjustment of the mentioned system to the production of high-quality wines. With new types of wines, the proof on the domestic market, and then with the confirmation with the designation or the reference stamp that such wines may be an exporting brand. Failure to observe the European Law on Wine or EWG, considerable damage would be imposed upon the complete project. A strict control of the export brand should be determined in order to preserve already acquired positions on particular markets in Europe and the world. The space for regionalization vineyards and protection of the geographic origin of wine are to be determined. The targeted wine value quantity size will be 200-300 million dollars, with permanent market researches, until the year 2012.

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