

SWG IPTS Project:

"Analysis of agricultural and rural development policies in Western Balkan countries"

The Current State and Recent Developments of Agriculture and Agricultural Policy of Western Balkan Countries

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Project background

- ☞ ***The key project goal*** - to provide analytical support to the regional decision-makers by:
 - ☞ updating agricultural statistics,
 - ☞ qualitative and quantitative monitoring of agricultural policy.

- ☞ ***The analysis focusing on changes in the recent years (2013-2015)***
 - ☞ refers to the findings of the study *SEE agriculture and European integration* (FAO, 2014)

- ☞ SWG/IPTS (2015) project **questions:**
 - ☞ Are there ***important changes*** in sector after 2012/2013?
 - ☞ Are there some improvements in ***policy frame*** and ***budgetary transfers***?
 - ☞ What is the attitude of ***agrarian policy towards small farms*** ?
 - ☞ Main challenges of ***EU integration process***?

Synthesis report - prof. Emil Erjavec E., dr Tina Volk T., dr Miro Rednak M., international experts

National research work and reports

- ☞ AL - prof. Edvin Zhllima
- ☞ BA – prof. Sabahudin Bajramović
- ☞ XK – dr Iliriana Miftari
- ☞ MK – prof. Dragi Dimitrievski
- ☞ ME – prof. Aleksandra Martinović
- ☞ RS – prof. Natalija Bogdanov

Presentation outline

- ➡ Situation and trends in WBs agriculture
- ➡ Agricultural policy framework
- ➡ Budgetary transfers to agriculture
- ➡ European integration challenges
- ➡ Policy recommendations

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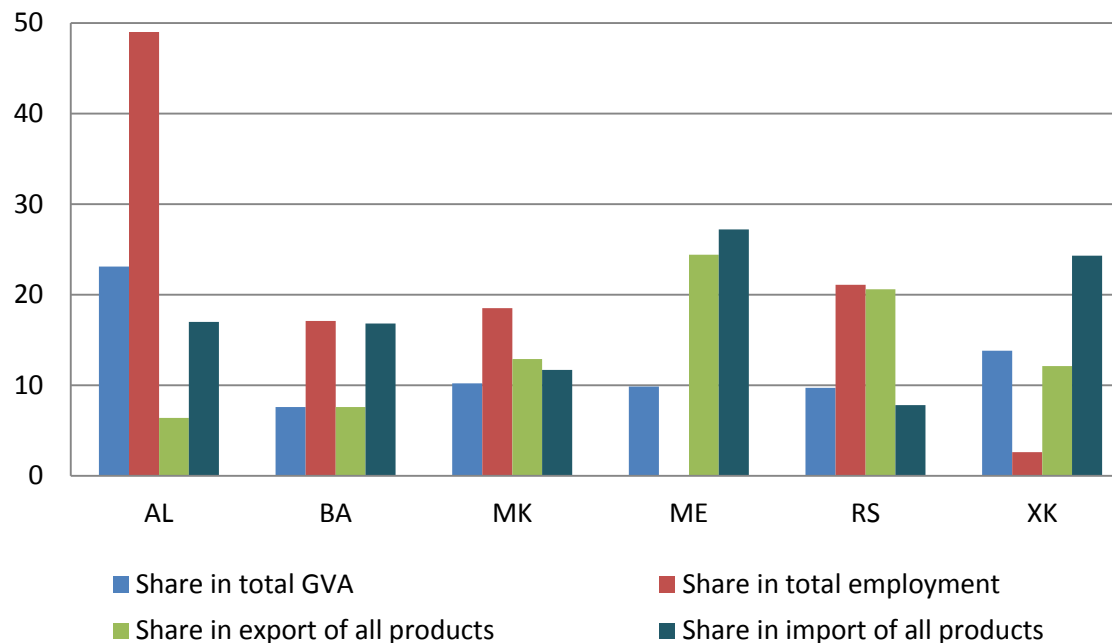
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SITUATION AND TRENDS IN WESTERN BALKAN AGRICULTURE



The Importance of Agriculture

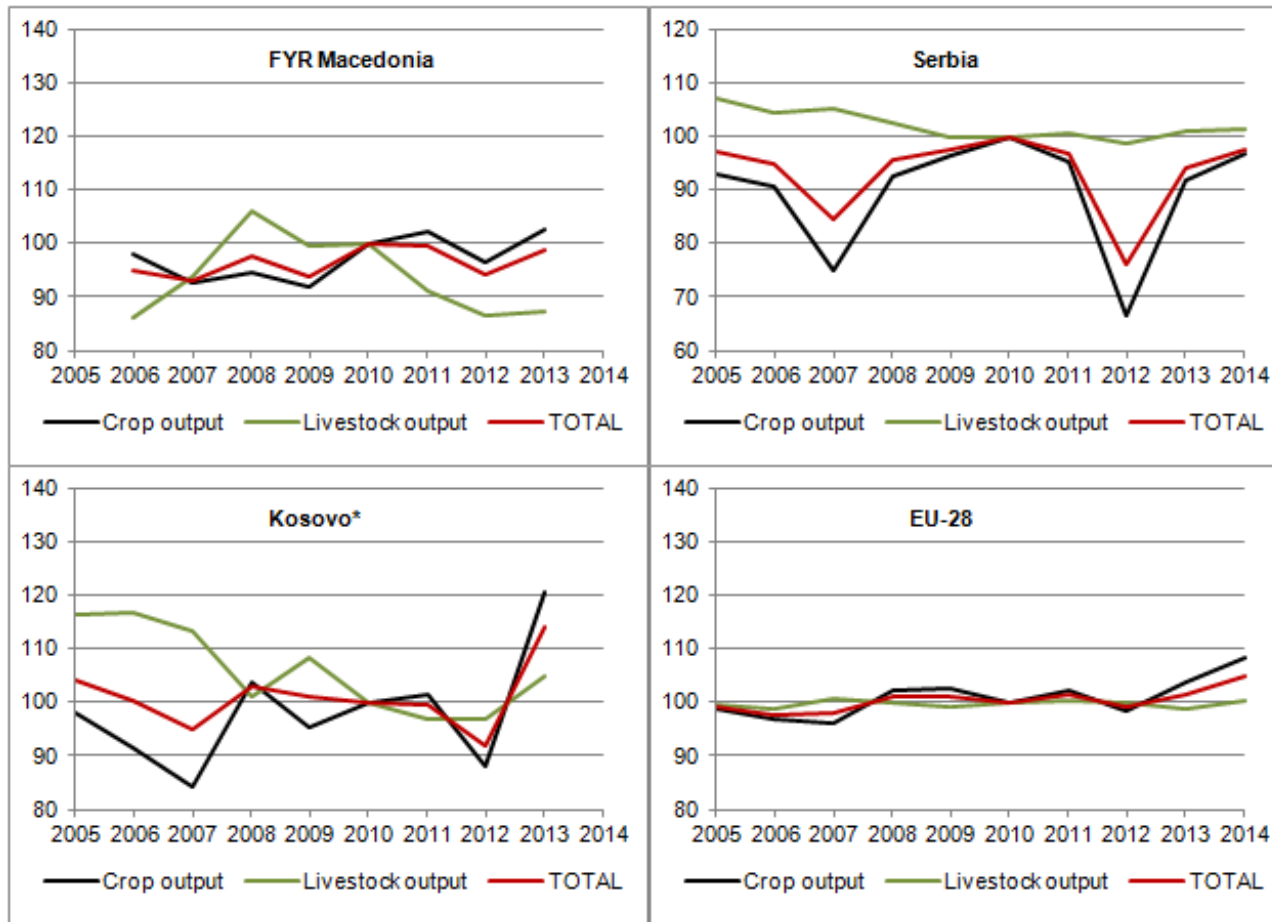
The share of agriculture in GVA, employment and international trade (%)



- ➡ In all the WBs, agriculture is an important sector for national economy.
- ➡ The relative economic importance of agriculture has a decreasing tendency (excl. Albania).

Production

Agricultural goods output volume changes (2010=100)

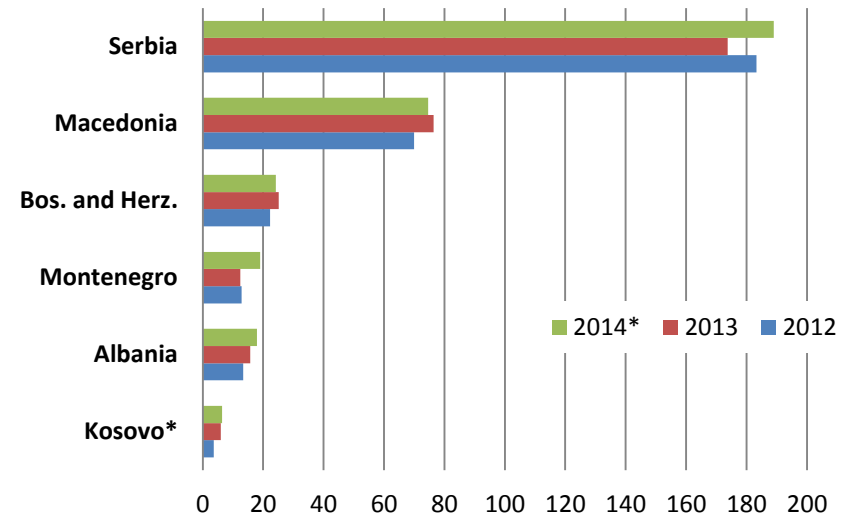


- ➡ Aggregate data on agricultural output volume changes are available only for Macedonia, Serbia and Kosovo*.
- ➡ Volatility due to weather conditions!

Agro-food trade indexes 2014/2012 (%)

	Exports	Imports	Balance
AL	55.5%	16.6%	111%
BA	6.6%	-2.2%	95%
MK	2.0%	-4.4%	81%
ME	61.7%	8.8%	101%
RS	10.1%	6.8%	114%
XK	91.1%	7.6%	104%

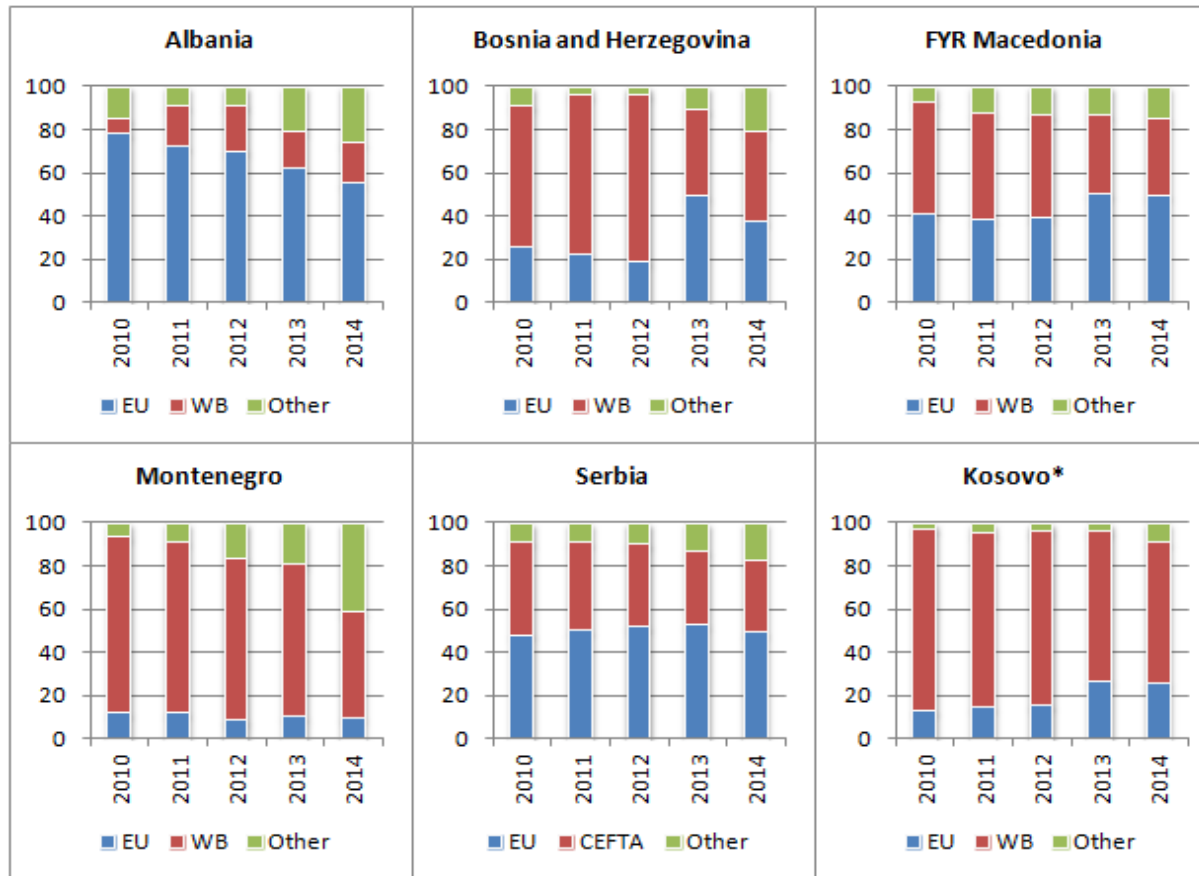
The coverage degree of imports by exports (%)



- ➔ Exports increased in all WBs
- ➔ Imports increased at lower rate (BH and MAC even decreased)
- ➔ Improved trade balances in some countries (BH, MAC, SR)
- ➔ Raw materials prevail
 - ➔ Some changes in the structure by tariffs group (particularly BH, MN), more diversified export (AL, MAC, KO).

Trade II

Regional break-down of agro-food exports (%)

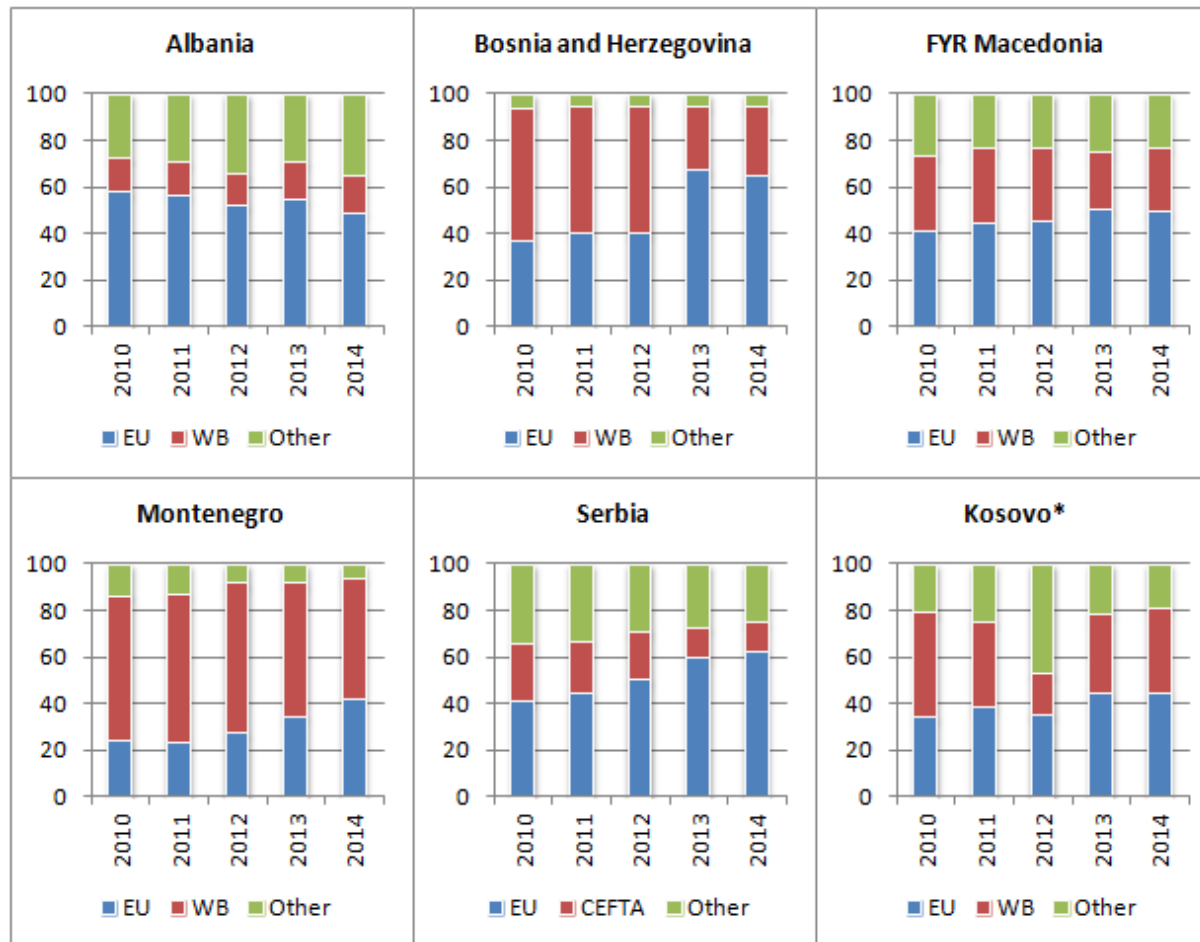


Trade between WBs still important (Except AL)

- other country exports increased the most (Russian embargo?) .
- The share of export to EU is also increasing (except AL and MN);

Trade III

Regional break-down of agro-food imports (%)



➔ Increasing importance of imports from the EU (except AL).

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AGRICULTURAL POLICY FRAMEWORK



☞ ***Intensive programming of new policy***

- ☞ new Strategy documents in all WBs countries
- ☞ visible progress in content and structure

☞ ***Introduction of CAP like objectives***

- ☞ the objectives of agricultural policy are quite similar between countries
 - ☞ sustainable agriculture with production orientation

☞ ***Planned measures:***

- ☞ different (relatively weak) ambitions for adoption of CAP
- ☞ action plan for the whole pre-accession period?

➤ ***Actual policy*** not so close with new directions:

- ☞ extension of the CAP non-comparable measures (output payments, input subsidies)
- ☞ rural development is still les important part of policy

SWG IPTS Project:

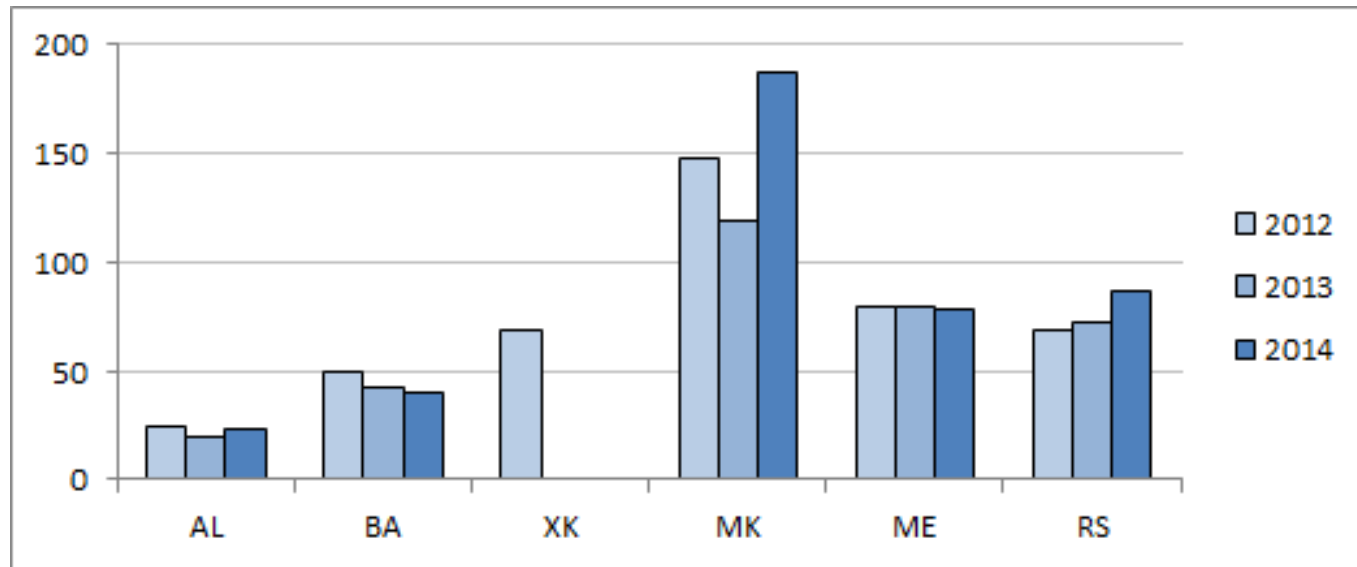
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BUDGETARY TRANSFERS TO AGRICULTURE



Budgetary transfers to agriculture

Total budgetary expenditure (EUR/ha UAA), 2012-2014 (WBs APM)

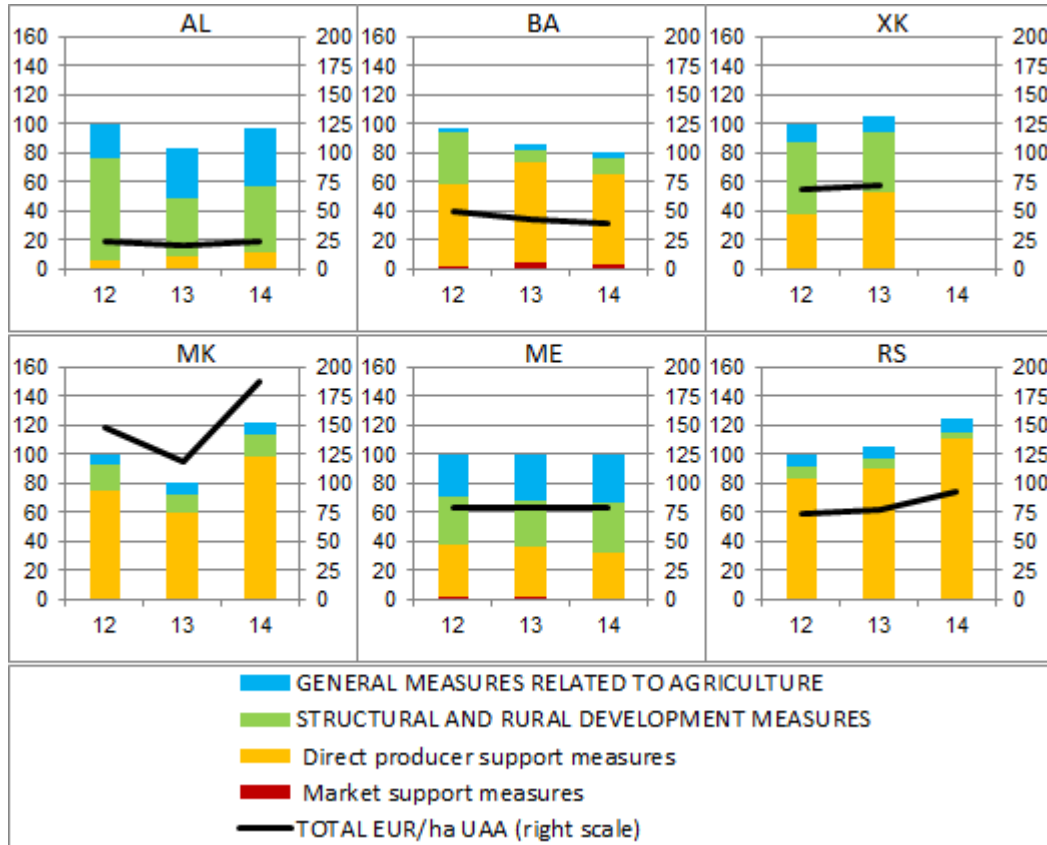


The conclusion from the FAO study still stands:

- ➔ The relative level of total budgetary support to agriculture is rather low compared to the EU-27 (except MK)
- ➔ Increase in MK and RS

Budgetary transfers to agriculture

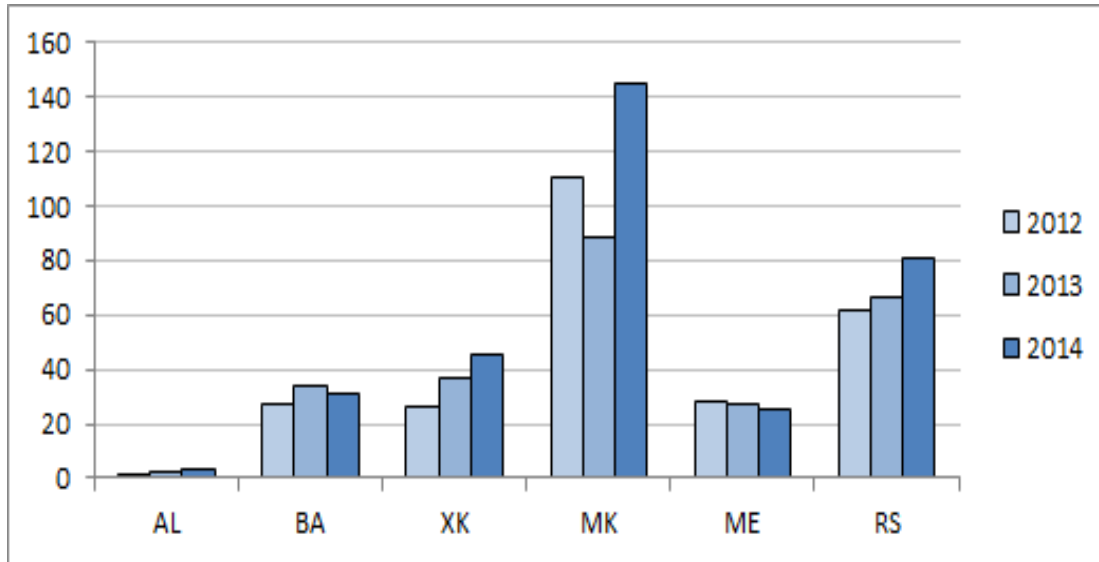
Evolution of budgetary expenditure, 2012=100 (WBs APM)



- ☞ The composition of the total support to agriculture varies significantly between countries
- ☞ No significant changes in structure
- ☞ Direct support is high in MK, RS and BH

Direct producer support

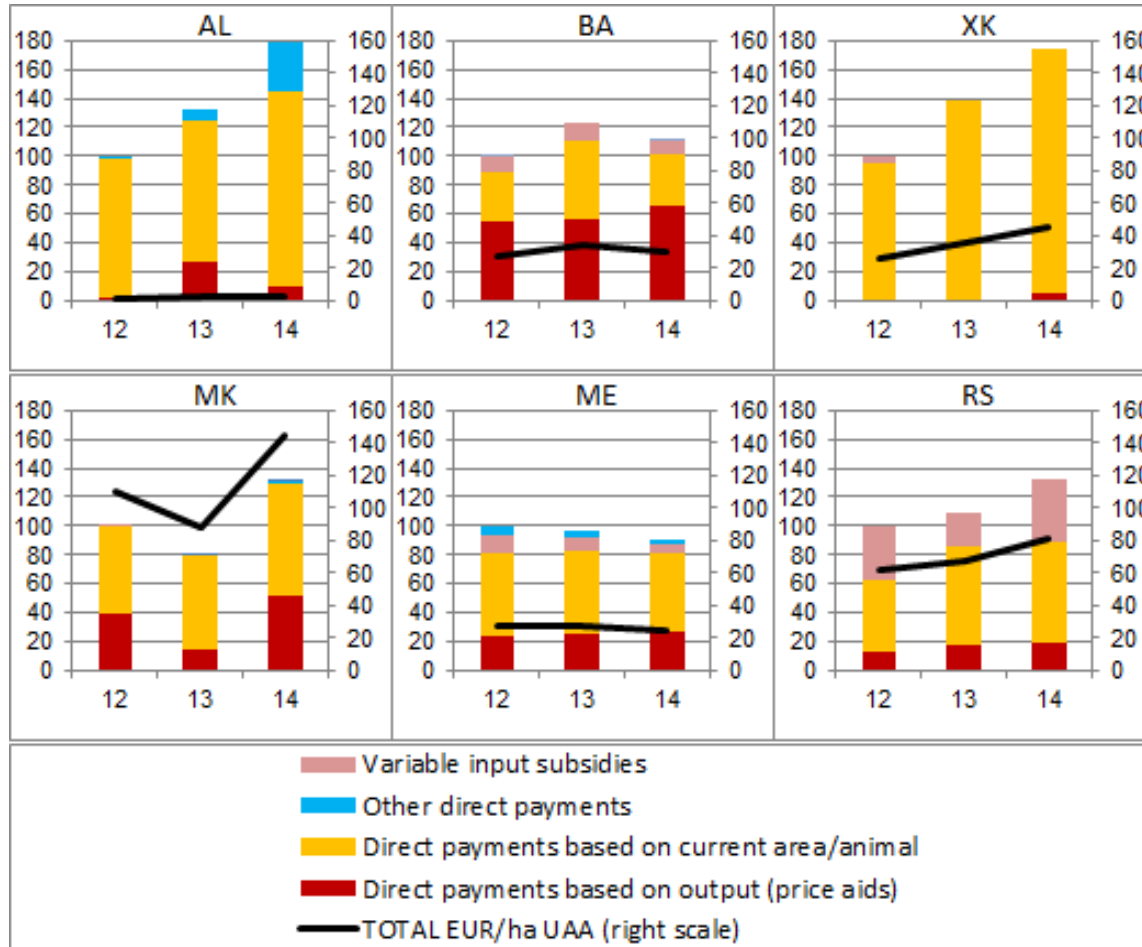
Direct producer support (EUR/ha UAA) 2012-2014 (WBs APM)



- ➔ The upward trend of funds for direct producer support measures continued in all WBs (except in ME)
- ➔ MK is approaching the EU values (196 EUR/ha as minimum)
- ➔ RS is increasing the support, others low level of support.

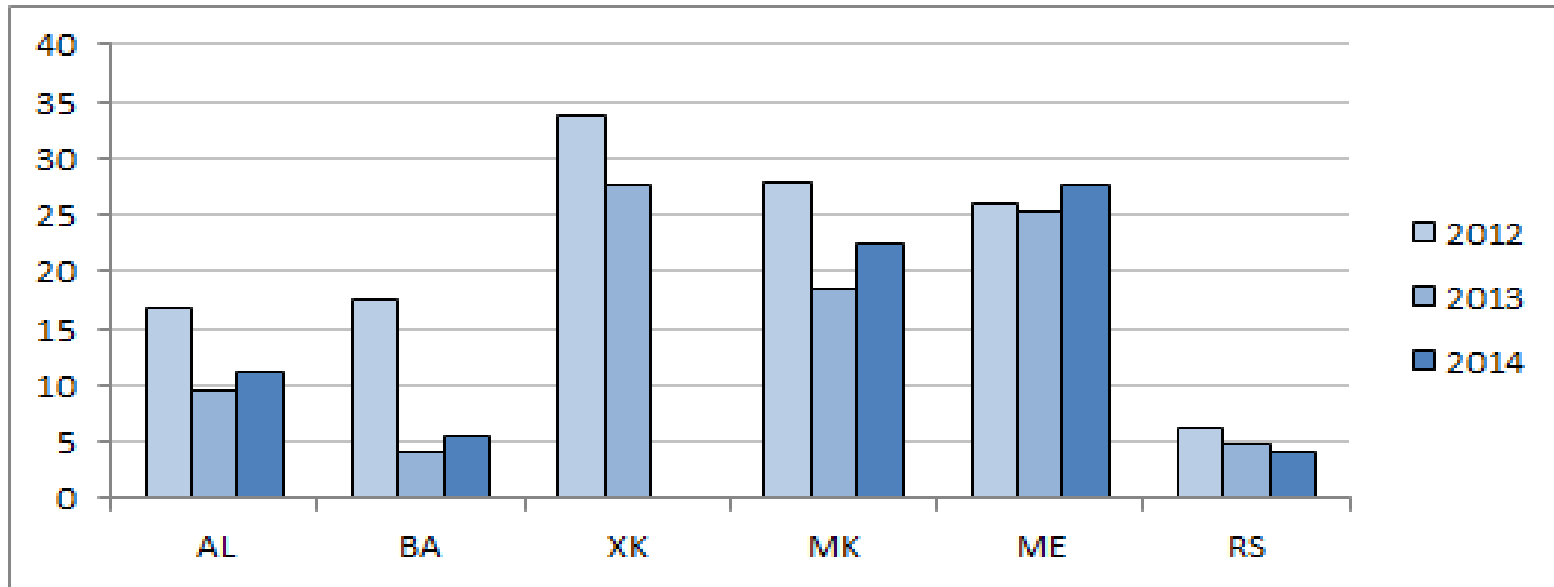
Direct producer support

Evolution of direct producer support, 2012=100 (WBs APM)



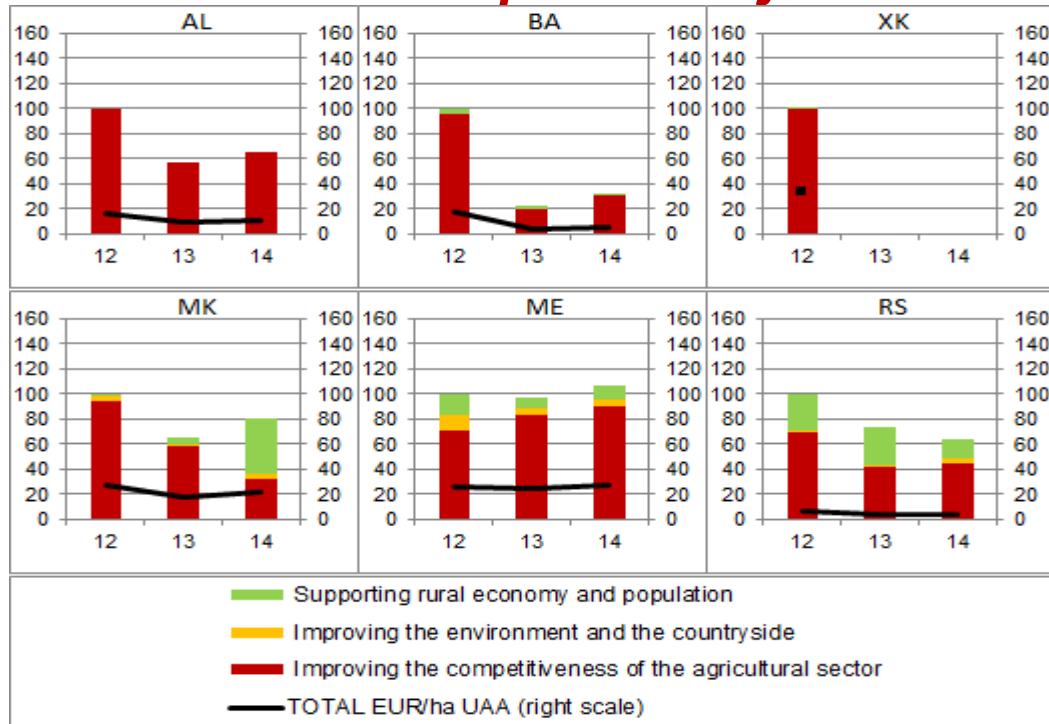
- Some changes, no sign of a process of alignment to CAP-like policy.
- Area and animal payments prevail, but output payments (MK, BA) still growing.

Structural and RD support EUR/ha UAA; 2012-14 (WBS APM)



- ➡ Still low absolute amounts of funds for structural and rural development measures (except ME).
- ➡ Albania, Bosnia and Herzegovina, and Macedonia show fluctuation through the years, while Serbia has even experienced decline
- ➡ Real broader impacts of such policy?

Evolution and composition of structural and RD support (2012=100)



- ➡ No significant changes in structure (except MK – higher share of funds for rural economy)
 - ➡ Some new measures launched (rural economy in MK; kind of LFA payment in BA and MK ?; environmental payment in RS).
- ➡ Funds for the environmental measures are negligible in most WBs.
- ➡ Lack of measures to support less favored areas (LFA).

General support measures

- Weak data.
- Relatively low level of support. No significant changes.
- Less for *Agricultural knowledge and innovation system* as needed.



Farm structure as a policy issue

Farm structure in selected Western Balkan countries

	AL	BA	XK	MK	ME	RS	EU-28
	2012	2010	2014	2013	2010	2012	2010
Number of agricultural holdings	324,013	:	129,220	170,885	48,870	631,552	12,248,040
EU-28=100	2.6%	:	1.1%	1.4%	0.4%	5.2%	100.0%
Utilised Agricultural Area (ha)	:	:	257,639	315,863	221,298	3,437,423	175,815,160
EU-28=100	:	:	0.1%	0.2%	0.1%	2.0%	100.0%
UAA per holding (ha)	2.8 ¹	2.0 ¹	2.0	1.8	4.5	5.4	14.4
Share of holdings with UAA < 2 ha	:	:	80% ¹	78%	73%	48%	49%

- The share of farms in the size class up to 2 ha is high
 - Kosovo*, MAC, MN, Albania (?) (above 70 %)
- In Serbia, the share of small farms is close to the EU-28 average (around 50 %),
 - more favourable farm structure in the Vojvodina Province
- Agricultural policies have not adequately responded to the need to faster the structural changes

EUROPEAN INTEGRATION CHALLENGES



➤ *Policy reforms*

- policy reforms are becoming the formal part of accession negotiation process (action plans, strategies are requested)
 - coherent conceptual frame is needed (EC?) - without formal guidance each country is own story and responsibility
- still lack of stability, less funding (economic crisis)

➤ *Institutional building*

- Key challenge of actual EU integration...
 - constraints to upgrade the institutions with administrative, financial and human capacity?
 - Coordination of tasks unsuccessful –
 - political will is missing?

- ***Implementation of IPARD***
 - All countries dealing with the issue seriously, but...
 - only MK has experiences with implementation, ...
 - Funding with limitations, only partially successful story
 - Lengthiness of procedures. Low absorptions.
 - Contextual deficiencies (not desired for majority WBs farms?)

- ***Reasons?***
 - Human capacity problems and lack of political decisions,
 - ... but, is the non-flexible way of EC the right policy?
 - “Failure” for them, too?



POLICY RECOMMENDATION



European integration

- Planning of further reforms until accession
- Guidance by EC about the policy reforms
- The limitation of IPARD funding requests solutions
 - Round table of the future of IPARD for WB?
 - „How to improve the support in the given legal frame?“
- Realistic action plans and their implementation
 - Gradual introduction of CAP-like policy; Main elements:
 - introduction of area and headage payment
 - much more attention to the rural development

To take home messages

Evidence based policy:

- Still non-really discovered issue
- Still poor use of agricultural statistics
- Strengthening of analytical support is requested
 - Supply and demand side deficiencies
 - Stable financing and human resources policy
- Start with impact assessment and evaluations
- Development of modelling tool , data systems, human capacity, cooperation between research and administration
- Further regional monitoring could assist in the process
 - ... but work has to be done at the national level...

Future tasks for discussion

- further **structural change in target direction is necessary**
 - *land laws and reforms* – a model for the Western Balkans
 - the *small farms issue* and policy support
 - support for establishing modern *agro-food supply chains*
 - *less favored areas* support systems
- introduction of **risk management** support
- establishing and strengthening the **rural finance system**
- future development of **Agricultural Knowledge and Innovation Systems** (AKIS)
- democratic and transparent agricultural policy **decision-making processes** – stakeholder involvement strengthening

Thank you for your kind attention!

Natalija Bogdanov