

PROBLEMS IN SERBIAN AGRICULTURE IN THE PROCESS OF TRANSITION *

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Abstract. *The achieved scopes in development of Serbian agriculture are modest and unsatisfactory because of the fact that agriculture during the period after war was neglected in the economic sector. Previous agricultural development was limited by many factors: inadequate monetary-credit policy; inadequate organized and led system for protection and stimulus of the development of primary agricultural output; loss on market; lag of exports and increase of imports in foreign-trade exchange of agri-industrial products; divided ownership; shortage of adequate market infrastructure. The transition in agriculture should realise the process of property exchange together with the modernization of production, a contemporary work organization in order to achieve a better quality of production. The transformation of public property into private property of agricultural land is connected with resolving the questions that are related with the following who will obtain agricultural land, in what way and based on what criteria.*

1. PROBLEMS AND SITUATION IN AGRARIAN ECONOMY IN SERBIA

The progress in general economic reform has been strongly associated with progress in agricultural sector reform. Most of the transition countries have experienced significant declines in output and these declines have been persistent. Only a few have seen agricultural output grow or stabilize at level before 1990. The declines have varied widely from between 15-30% in Central Europe to more than 50% in some countries of the former Soviet Union. Even in central Europe where GDP has recovered or exceeded pre-transition levels, with exception of Slovenia, agricultural output still remains significantly below levels before 1990.

In line with transformation of Serbian agriculture in transition period the volume of production in the first three years unexpectedly declined, and in the following period it

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was stabilized on the level which is 10% lower than the volume of production in 1991. This trend of production volume is similar to the central-Europe model transformation. Production is stabilized on the level which is on the average 20% higher than the level characterized for central-European countries.

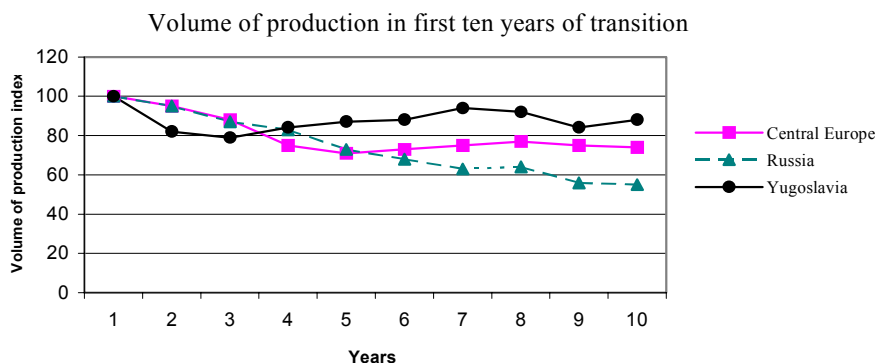


Fig. 1.

Regarding the productivity, in the first three years of transition the line of productivity coincided with the line of productivity characterized for Russian model, and in the next years that line stabilized on the level at the start of transition. The reason for this productivity trend is a permanent decline of domestic production in agriculture and number of employed. In the first three years of transition decline of gross domestic product was faster than the decline in the number of employed. General reforms have helped bring about gains in agricultural labour productivity but have not significantly influenced agricultural output. Liberalising and privatising quickly has had a positive pay-off in terms of higher productivity.

The researches show that the dynamics of agricultural production in transition countries is to a great extent determined by starting conditions, and work productivity in great level depends on the reforming policy. In addition, starting conditions influence the volume of production in the starting phase of transition, until the reforming policy gets a more important role later. Differences in agricultural development in transition countries are to be explained by changes in price relations and markets. Changes in relative prices have been important. Reforms involved a sharp decrease in price subsidies. This led to a dramatic drop in output and productivity in the advanced reform countries. Subsequent improvements in agricultural terms of trade have exerted a positive and direct effect on changes in agricultural output and productivity. The basic means for the success of reforming of agriculture has a common economic liberalization which reduces labour costs and costs of labor resources migration from agriculture to another activity, resulting with increase in work productivity.

Table 1.

	Price and market	Land reform	World Bank Index 2001.*				Total score	Transferability	Percentage of rural land in individual use
			Agro-processing	Rural finance	Institutional				
Advanced	Bulgaria	9	8	8	7	8	8.00	Buy-and-sell, leasing	56
	Czech Republic	9	9	10	9	9	9.20	Buy-and-sell, leasing	26
	Hungary	9	9	10	9	9	9.20	Buy-and-sell, leasing	51
	Poland	8	8	9	7	8	8.00	Buy-and-sell, leasing	84
	Slovak Republic	8	8	9	8	8	8.20	Buy-and-sell, leasing	9
	Slovenia	9	9	10	8	10	9.20	Buy-and-sell, leasing	94
Intermediate	Albania	8	8	8	7	7	7.60	Buy-and-sell, leasing	95
	Bosnia & Herz.	7	7	6	6	5	6.20	Buy-and-sell, leasing	94
	Croatia	7	7	7	6	8	7.00	Buy-and-sell, leasing	66
	Macedonia	8	7	6	5	7	6.60	Buy-and-sell, leasing	80
	Romania	7	8	8	7	7	7.40	Buy-and-sell, leasing	85
	Russia	6	5	8	5	5	5.80	Leasing, buy-and-sell problematic	13
	Ukraine	7	6	7	6	4	6.00	Leasing, buy-and-sell problematic	17
Early	Belarus	2	2	2	2	1	1.80	Buy-and-sell, leasing	14
	Serbia and Montenegro	6	5	5	3	5	4.80	Buy-and-sell, leasing	85
	Tajikistan	6	6	5	3	4	4.80	Use rights transferable	9
	Turkmenistan	2	3	2	1	2	2.00	Use rights non-transferable	8

* A scale of 1 to 10 has been used, with 1 indicating little reform from central planning and collective ownership and 10 indicating implementation of full market conditions.

Source: *Transition report 2002, Agriculture and rural transition, European Bank for Reconstruction and Development, London, 2002.*

Progress in general economic reform has been strongly associated with progress in agricultural sector reform. The more successful agricultural sector reformers have been located in central Europe. By contrast, in much of the Central and Eastern Europe's countries major institutional and policy hurdles to increasing the performance of the sector still have to be overcome. Improving the performance of the agricultural sector requires the adoption of policies that can boost productivity through restructuring and investment. This will require greater clarity concerning title to land and the creation of a more efficient land and agricultural inputs market. Although Serbia and Montenegro is ranked as a

slow reformer according to the World Bank, it is not a natural fit with this group since developments after 2000 have led to rapid and continuing economic change.

In the analyzed period of postsocialistic economic transition of Serbia, the index of gross domestic product points out a significant change of place and role of agriculture in whole economic structure. These changes increased the contribution of agriculture to gross domestic product. In the period of economic sanction against Serbia, agriculture was a sector which got a positive effect in global economic situation. In that period, because of bad trend in whole economy development, the contribution of agriculture in economic structure was double. The rate of growth of agricultural production was mostly greater than the whole agri-industrial production, and smaller shock of sanctions was in agricultural area. In spite of this external facts, some internal factors like technological expiration of production capacity in whole industry influenced the place and role of agriculture in whole Serbian structure. In spite of negative influence of these factors, gross domestic product in agriculture has been stabilized in last ten years.

2. PRIVATIZATION OF SERBIAN AGRICULTURE

The advantage of private property in developed countries points out that privatization of agricultural capacities in Serbia is a good direction. Private agricultural sector was dominant sector of property after 1945, but this sector was looked upon as being a sector of the second order in relations to public agricultural sector. Public agricultural sector is no more privileged in agrarian policy and today family farms realize much higher growth rate.

Growth in output and productivity has increased in line with the growing share of private land in individual farms. This is consistent with the results from wider research concerning the productivity effects of individual ownership and farm organisation. The participation of cultivable soil in public sector amounted around 15% in last years. That participation in middle Serbia is only several percents, and in Vojvodina about 40%. The participation of private sector in cultivable soil in Serbia has increased until 1990 for about 5% mainly because of the return of the soil that had been taken away from farmers without compensation (and given to public farms to use) during agrarian reform and because of not paid tax obligations and obligations for obligated purchase of agricultural products.

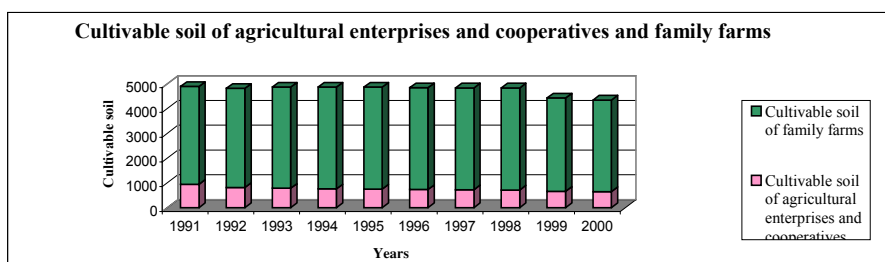


Fig. 2.

However, the process of returning soil chopped up the capacity of agricultural combine to a certain degree.

A great number of tractors are in family farms, but greater participation of tractors is in the area of middle Serbia. Greater participation of cattle is on private farms in Kosovo and Metohija and smaller in Vojvodina. Private agricultural sector in middle Serbia participates with about 80% in gross national product and in Vojvodina with about 50%. We should also mention that in private agricultural sector small farms exist, because there was no success in buying soil. One family farm owns on the average only 3.50 hectare of cultivable soil or 2.60 hectare land under cultivation. Apart from that, a significant area of soil in private property (and in other sectors of property, as well) of farmers and nonfarmers stays uncultivated.

On tender in 2002 from the field of agricultural and food industry, on tender in 2002. the following enterprises took part: AD PIK Kikinda, PKB Frikom Beograd, DP PPK Dzervin Knjazevac, DPPK Delises Vladicin Han, DP Mesokombinat Leskovac, PIK Takovo Gornji Milanovac, PIK Agrounija Indjija, DP Zitopek Nis, AD Napredak Stara Pazova, DPP Jedinstvo Apatin, DP Fabrika ulja Krusevac,

We should emphasize that a great number of enterprises on tender were from the agricultural and food industry [1, p.71-73]. However, there are unsolved proprietor relations which make the sale of enterprises difficult because the former owner disputed the right to sale. The special problem are unsolved proprietor relations in enterprises in Kosovo and Metohija.

On the list for public auction from the field of agricultural production are the following enterprises: Zivinarstvo Aleksinac, DP Rasadnici Vranjska Banja, DP Hladnjaca Krupanj, DP Sobovica Kragujevac, Poljoprivredni institut Loznica, DPP Milivoj Lazin Banatsko Arandjelovo, FSH Proteinka AD Sabac, Secerana Sremska Mitrovica, DP Srbijanka Valjevo, DP Mesar Uzice, Mlekara Pirot, MIP Pozarevac, MPDP 15.septembar Valjevo, DP Vinezupa Aleksandrovac, DP Valjevska pivara, Fabrika secera a.d. Kovin, Poljoprivreda a.d. Senta, DP Nikolinci, DP Zitopromet Nis, Secerana Dimitrije Tucovic Beograd, and from the field of chemical industry which produce input for agriculture - DP Azotara p.o. Subotica. This was an unsuccessful auction because of unreal high estimated value of some enterprises.

Auction will be the commonest method of privatization, but it is necessary to organize preliminary phase well, e.g. to make organizational, financial and personnel consolidation. The organization of agricultural enterprises is very complex and their transformation is necessary. The organization of agricultural enterprises should be in harmony with entrepreneurs behavior, e.g. it is to be innovational and able for changes concerning environment. A new organization activity in food industry organizes specialized units of production and logistic in order to the optimal structure of costs.

Due to Decree about procedure and manner of restructuring enterprises and other authorized agencies that are related with enterprises in the process of transition, the process of restructuring in status or organization change includes [2]: 1. dependent enterprises merge into connection enterprises, by take over or by foundation; 2. division of enterprises on more economic subjects; 3. selling parts of enterprises; 4. property transfer or part of property to other legal subject; 5. change form of enterprises, e.g. change form of dependent enterprises; 6. changing internal organization of enterprise by cancelling non-profit business units and 7. ending non-profit activity in enterprise. The procedure of restructuring starts Agency for Privatization.

In order to make farmers stay the stockholders of sugar refinery, meat industry, oil industry, it is needed to improve their economic situation. However, according to some estimates only in the period from 1990 to 1996 about 4 billion dollars from Yugoslavian agriculture were abundant to other activities. That is why privatization in agriculture should be supported by economic measures (for example by reducing some obligations to state). Buying land by farmers should be over exemption by loans.

As for foreign investments, their law frame was given in the Law on Foreign Investments from 2002 [3, p.35-42]. Foreign investments in Serbia consider (for example), investments in Serbian enterprises in which foreign investors shares or stocks of the basic capital in that enterprise. Foreign investors are guaranteed freedom on investing, national treatment, low safety, conversion, the right to transfer profit and property. Foreign investors must act according to regulations on protection of environment, which is very important in area of agribusiness.

The results accomplished in property transformation of public and state property and capital in Serbian agriculture are quite modest, e.g. the process of privatization does not follow the arranged plan. Since the process of privatization concerns the enterprises with public property and agricultural cooperative with various forms of property, in both sectors there are problems that are not predicted by law.

Cooperative property is property of a member of a cooperative and can't be an object of privatization. The problem arises if cooperative is in mixed property, e.g. certain percent of properties are in cooperative property and the rest in public property. If whole property is cooperative, privatization is out of the question.

The second is problem the privatization of agricultural land which agricultural enterprises use. In framework of cultivable soil of agricultural enterprises we have to differentiate two sorts of soil: soil in public property and soil in state property. Soil in public property is the property of agricultural enterprises and it became the object of privatization. Soil in state property is used by agricultural enterprises but they do not have right to the property. That soil does not succumb to privatization because it has its titular – government.

3. CONCLUSION

The initial conditions have strongly influenced the direction and outcome of economic reform. Countries that started the transition period with better initial conditions have reformed the most and benefited from higher growth in agricultural output.

The actual process of agricultural transition should include process of changing property by agricultural modernization, establishing new modern work organization with the goal to achieve better quality of production.

The results accomplished by property transformation of public and state property and capital in Serbian agriculture are quite modest, e.g. the process of privatization does not follow the arranged plan. Since the process of privatization obtains the enterprises with public property and agricultural cooperative with various forms of property, the problems exist in both sectors that are not predicted by law.

Proprietor and management transition is very slow in Serbian agriculture. It is important to change the method of management and modernize agricultural technology by spe-

cialized production. Managers in agricultural enterprises should take part not only in organizational development, but also in innovations, risk, information systems, human capital. By insuring this kind of managers, not too fast privatization of agricultural capacities that are not in private property now, could be realized.

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PROBLEMI SRPSKE POLJOPRIVREDE U PROCESU TRANZICIJE

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Ostvareni rezultati u razvoju poljoprivrede Srbije su skromni i nezadovoljavajući zbog činjenice da je poljoprivreda dugo bila zapostavljena grana privrede. Razvoj poljoprivrede bio je ograničen brojnim faktorima: neadekvatnom monetarno-kreditnom politikom; neadekvatno organizovanim i vodjenim sistemom zaštite stimulacije razvoja primarne poljoprivredne proizvodnje; gubitkom tržišta; usporavanjem izvoza i povećanjem uvoza u spoljnotrgovinskoj razmeni poljoprivredno-prehrambenih proizvoda; nedostatkom adekvatne tržišne infrastrukture. Tranzicija u oblasti poljoprivrede treba da obuhvati proces promene vlasništva uz modernizaciju procesa proizvodnje, savremenu organizaciju rada sa ciljem ostvarenja boljeg kvaliteta proizvodnje. Pretvaranje društvene svojine u privatnu svojinu nad poljoprivrednim zemljištem povezano je sa rešavanjem pitanja koja se odnose na to ko će dobiti poljoprivredno zemljište, kojim postupcima i na osnovu kojih kriterijuma.