



Structural change and transition in the agricultural sector: Experience of Serbia



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ABSTRACT

The economic and political crisis Serbia had to face during the nineties affected the competitive advantages its agricultural sector had in comparison with the other countries of the region. Despite a number of differences related to the specific economic, political and social settings and developments, the reform path Serbia started in 2000 showed a number of similarities, but also some differences in comparison with most of the Central and Eastern European Countries. In this paper the main features of structural changes in the Serbian agricultural sector are analyzed, also in comparison with other countries in the region, the basic factors that contributed to these changes are identified and explained, and the key consequences and implications of this process are examined.

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1. Introduction

Structural changes (SCs) are a major characteristic of the evolution of the agricultural sector and have been extensively analysed by academic literature (Cramon-Taubadel and Nivjevskyi, 2012). In development economics SCs are commonly understood as “the different arrangements of productive activity in the economy and different distributions of productive factors among various sectors of the economy, various occupations, geographic regions, types of product, etc ...” (Silva and Teixeira (2008); cited by Memedovic and Iapadre (2009)). However, a consensus over their implication and interpretation has not yet been reached (Goddard et al., 1993; Buchenrieder and Möllers, 2009). Some authors emphasize the impact of SCs on efficiency in terms of a better allocation of resources (Syrquin, 1988), while others insist on the effects on small family farms and on their role in the preservation of rural vitality (Brooks and Nash, 2002). Nevertheless, there is widespread consensus that the consequences of SCs are multi-dimensional, affecting a wide range of economic, social and environmental issues, along with agriculture.

SCs in agriculture - as in all other sectors of the economy - are characterized by permanent modification in the distribution of production factors: labour, land and financial capital. They traditionally involve workforce outflows to other sectors and a decline in the total number of farms with a consequent enlargement of their average size. Since the beginning of the 1980s, the interpretation of SCs in agriculture has been revised and extended to other segments of the food chain and in wider terms to the overall rural economy. Therefore agricultural holdings - the main agents of SCs - have been analyzed within a more comprehensive framework, which takes into account the multiple implications on: the entire production chain, local and national institutions and policies, natural resources and environmental protection, rural nonfarm economics and on social dynamics and consumer choices and behaviour change (Balmann et al., 1996; Swinnen et al., 2005). In addition, SCs influence

the economic performances of holdings, farm size distribution, financial and ownership structure, technology utilization, labour organization, as well as in their institutional relationships (Boehlje, 1999).

The transition process in agriculture of Central and Eastern European Countries (CEECs) started in the early 1990s and led to significant changes in the agrarian sector. The intensity, the comprehensiveness and the dynamics of these changes have been unexpected if compared to previous experiences (Deininger, 2002). Considering the magnitude of the changes and the heterogeneity of the initial conditions, it is not surprising that even after almost three decades of reforms, the agricultural systems of the CEECs still maintain significant differences. Several authors suggest that the differences among the former socialist countries are even higher in 2010 than in the 1990s (IMF, 2003). The final result has been the development of relatively large and efficient agricultural enterprises in Czech Republic, small self-subsistence farms in Bulgaria, highly specialized large farms in the former East Germany and small and diversified farms in Slovenia (Buchenrieder et al., 2007).

The process of transition in Serbia began in the early 2000s, in parallel with the implementation of political changes and economic reforms. To date, all the three processes - political and economic reforms and progresses in EU integration - have been unstable and had ups and downs. The uneven pace and reform dynamics led to profound consequences on the agricultural sector, which over the past two decades lost its initial comparative advantages over other European countries that entered the transition process a decade earlier. Serbia's path to reform, its dynamic and the results achieved show a consistent similarity with the CEECs, although with a number of significant differences. The transition in the agricultural sector of Serbia (and other Balkan countries) is not specific because it is delaying in relation to other post-communist countries. The differences in comparison with the Baltic, Central and Eastern European countries are more complex and include:

- 1) The characteristics of the agricultural sector and its performance in the pre-transition period (Vujatović-Zakić, 1989; Rozelle and Swinnen, 2004) - The richness of natural resources, favourable climate conditions, low level of industrialization and slow penetration of capitalism that had marked the pre-WWII economy, have caused Serbia to remain a highly agrarian country until the second half of the last century. The development of the agricultural sector of Yugoslavia, and thus Serbia, followed the "Soviet" model in the early 1950s, but was then replaced by a different development pathway in the mid-1950s enabling the technical and technological restructuring of the family farms and integration into the value chain. Therefore, farming in Serbia was carried out predominantly by family farmers who owned 85% of the arable land and most of the livestock even before transition.
- 2) The overall environment in which the transition has taken place - At the beginning of 1990s many of CEECs faced the collapse of its food system as a result of land reforms, privatization of down-stream and up-stream industries, market liberalization, inflationary and monetary crisis (Tangermann, S. and Banse, M. 2000; Swinnen J. 2003). In addition to these factors, the Serbia's agriculture sector at that time was affected by regionally and nationally specific challenges, such as: the disintegration of the Yugoslav market, economic sanctions imposed over country, the general economic recession followed by hyperinflation and the devastation of industrial capacities during military intervention in 1999. Therefore, the beginning of the transition in Serbia started with the political changes after the 2000 parliamentary elections, almost a decade after the CEECs.
- 3) The different context of international environment and the EU accession strategies, which were significantly different in relation to the interventions implemented during the 1990s (Evangelos, 2010).

The prospect of accession has accelerated the substantive reforms of institutional arrangements and agricultural policy adjustments in CEECs. Within the framework of the EU Special Accession Programme for Agriculture and Rural Development (SAPARD), most of the CEECs conducted deeper restructuring and productivity improvement in the agri-food system and rural areas. Changes in EU enlargement strategies from the 1990s to the present, including the most important elements of the stabilization and association process, which have imposed increasingly complex conditions on new candidates, have further adversely affected the slowdown in the reform process of the Western Balkan Countries (WBCs), including Serbia. The establishment of the first relationship between Serbia and the EU took place much later, in 2008, with the signing of the Stabilization and Association Agreement, that is, after the twelve CEECs become the EU members.

The process of transition of agriculture in the Balkan countries, and so in Serbia, remained insufficiently highlighted by academic discourse. It is indicative that Cramon-Taubadel and Nivyevskiy (2012) did not find a single article focused on Serbia among 244 articles on agricultural transition published in 16 peer-review international journals in the field of agricultural economics. Some segments (effects of liberalization, land reform, rural poverty and the like) were analysed within donor project reports and studies for specific sub-sectors, often without sufficient harmonized data and precise information (Kotevska A. et al., 2015).

The aim of this paper is to: 1) describe the main features of SCs in the Serbian agricultural sector in comparison with other transition countries in the region, 2) identify and explain the basic factors which have contributed to these changes, and 3) examine the key consequences of this process and related aspects, and thus contributing to the literature in this subject area.

The paper is organised as follows: the second section elaborates on the methodological approach that has been used; the analysis proceeds to the characteristics of SCs in agriculture in Serbia and selected transition countries; the fourth section discusses Serbian institutional and agricultural policy concept and frame in transitional period; the paper ends with discussion and conclusions.

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