



## MEAGER SUBSIDIES BUT A HUGE MISTAKE

In early June, the Serbian government faced the farmers' uproar as they protested by blocking Vojvodina roads for six days. The reason was a change in the policy of the Ministry of Agriculture and Trade, which revoked the decision on payment of state subsidies for farms up to 100 acres. Within the reconstruction of the Government in March, instead of **Sasa Dragin** from Vojvodina, the Minister of Vojvodina became **Dusan Petrovic**, who comes from Serbia. The origin of both former and incumbent minister will prove important later in our story. The fact that both former and incumbent Agriculture Minister come from the same political party - Democratic Party (DS) of Serbian President Boris Tadic, will also prove important for understanding the story around the farmers' protest.

The story began when the Serbian government adopted the proposal of the newly appointed agriculture minister and decided to abolish subsidies budgeted for 2011 for farms up to 100 acres. The rationale for this decision was that there's "no money in the budget". For farmers, it was shocking news. Simply, they were counting on governmental subsidies when planning the production. Therefore, the decision to abolish subsidies was irresponsible to both the farmers to agriculture as one of the most important Serbian industry. Such reckless and irresponsible decision inevitably caused the farmers' reaction. A few days

later, farmers began protesting across the country. The Ministry of Agriculture understood what may be further consequences and revised the decision on subsidies – the household sized up to 30 acres would be paid subsidies. The idea of the Ministry of Agriculture was to divide the farmers. In fact, most of the agricultural households in Serbia are small farms - up to 30 hectares while the average size of agricultural household in Serbia is 3.2 hectares. In Serbia there are 778,841 farms, of which around 440,000 are located in the register of the Ministry of Agriculture. Last year 74,901 farms used subsidies amounting to 14,000 Republic of Serbia Dinars per hectare. Of the total number of farms, only eight thousand belong to the group of 30 to 100 hectares. Even 55 thousand households are registered to possess less than 10 hectares. Therefore, the Ministry counted on stopping the protests if subsidies are allocated to nearly 90 percent of farms. However, that wasn't to be the case.

First, the decision to continue with the payment of subsidies for households up to 30 hectares showed that there was still some money in the budget, thus demonstrating that the governmental justification that there's "no money in the budget" was incorrect.

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Second, those who had made a decision weren't thinking about geography, or the fact that almost all 8000 of 30 - 100 acres are located in the northern Serbian province of Vojvodina.

Therefore, after the Ministry's decision protests in Vojvodina intensified, growing to become something more than just a rebellion of farmers, but a political problem.

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Farmers with households of 30 to 100 hectares are rich peasants, or "bosses" as called by rural proletariat. They are organized in their own association which proved to be very strong and capable to defend the interests of its members. So, the rich farmers in Vojvodina are the ones who started to block roads. The police did not allow them to block the Belgrade - Novi Sad highway (Novi Sad is the capital of the northern province of Vojvodina), or to drive tractors to Belgrade to protest in front of the Government. Therefore the farmers blocked other roads in Vojvodina so successfully that some cities were "cut off" from the world. During the few days of protesting there were several sporadic conflicts with the police, but the farmers have shown they are very well-organized. It was clear that this situation was unsustainable. It was waited for the government to yield or the police to unblock cities where the normal was disturbed due to disturbed supply and economy.

Vojvodina is the northern province of Serbia. With Belgrade, it is the richest and most developed

region. It's known as the "granary" of Serbia due to highly developed agricultural production, as the terrain in the province has almost no mountains. Vojvodina enjoys special autonomy within Serbia, which enables it to have its own assembly and government, as well as much of original jurisdiction. Most of the population - about two million - is Serbian (Serbs - 65.05 percent, Hungarians - 14.28 percent, Slovaks - 2.79 percent, Croats - 2.78 percent ...) so this peculiarity has no ethnic dimension. However, Vojvodina is a special geographical and cultural entity.

Most of Vojvodina's population considers that region should have economic autonomy.

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In addition, in the Province there are several regional political parties in the coalition with the Democratic Party of President Boris Tadic. The Democratic Party is in power in Vojvodina, as well as in the state, its organization of Vojvodina having a special autonomy within the party. At the head of the DS provincial organization is **Bojan Pajtic**, who is also vice president of the Democratic Party. Pajtic is also a premier of the province. Because of all this, the fact that only farmers from Vojvodina were protesting, simply had to get a political connotation.

Prime Minister of Vojvodina, as well as vice president of the ruling Democratic Party, Bojan Pajtic met with representatives of farmers who were protesting on May 31st and told them that **"the province has no jurisdiction over the police and therefore can not assist them in going to Belgrade and expressing their dissatisfaction in front of the**



**Serbian Government"**. Pajtic provided support and understanding of the farmers' requirements in relation to subsidies. The same day the President of Serbia and Democratic Party **Boris Tadic** said there was no money in the budget for subsidizing large farms. **"If there was more money, we could allocate more and I ask the owners of large estates to understand the reality of the economic situation in Serbia today"**, said Tadic. **"No one can expect the state to reimburse the un-competitiveness, lack of quality and impossibility to sell products to international markets through subsidies,"** said the Serbian president.

In the media, we could read that behind the protests was a clash between Bojan Pajtic and Agriculture Minister Dusan Petrovic, which was very quickly denied by the top of the Democratic Party to which both of them belong. Namely, before the Government reshuffle in March this year, the Minister of Agriculture used to be Sasa Dragin, who is from Vojvodina and is very close to Pajtic. With the arrival of Dusan Petrovic, Vojvodina's DS has lost control over this department. The fact that the farmers from Vojvodina protested, that they got the support of Prime Minister and Vice President of Vojvodina DS Bojan Pajtic at the moment when the Serbian President and DS leader Boris Tadic and Deputy Minister of Agriculture Dusan Petrovic issued contrary the statements, had to cause speculations about the conflict within the Democratic Party on "agriculture" issue.

In this way the government was brought in an almost unbearable position which could be resolved in two ways only – the repression to Vojvodina's

farmers or by accepting their demands. The question remains was the repression possible because the police is headed by Ivica Dacic who is the chairman of the Socialist Party of Serbia (SPS) - the smaller coalition partner the Democratic Party. Dacic's party enjoys strong support in rural areas and it is unlikely that he would risk reducing the rating of his party for implementing unpopular measure - repression against farmers. In this situation, the Government was left with no choice but to accept the demands of farmers, find the money and subsidize properties up to 100 hectares. This was done several days later at a meeting attended by Serbian President Boris Tadic, Prime Minister Mirko Cvetkovic, relevant ministers and presidents of the ruling coalition. The situation was so dramatic that the decision from the meeting was announced to the citizens in the middle of the night, by stopping the state television program. Minister of Agriculture Petrovic suggested that the Government pays subsidy to farmers who have households up to 100 acres, which the Government adopted at the telephone conference. Prime Minister of Vojvodina, Bojan Pajtic, who didn't attend the meeting at which the decision was made on the payment of subsidies, said the outcome was favorable to the government and for farmers. **"It is good that such an agreement was reached and that tensions are reduced, because farmers will get the resources on which they counted,"** said Pajtic. Thus, the ruling Democratic Party preserved the unity in the agriculturists' issue. We should not forget that this party in the 2008 election campaign promised subsidy of the "100 euros per hectare". This subsidy was paid only the first year after the government was formed.



One problem in Serbian agriculture is resolved, but obviously this very important industry for Serbia is threatened to collapse.

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It is clear that the agreement made between the farmers and the Ministry of Agriculture and Trade on the payment of subsidies is an extorted solution that cannot be long term, and consequently, if serious agricultural policy measures aren't taken, we will again see the rebellion of disgruntled peasants. This was confirmed by a professor at Agricultural Faculty in Belgrade **Miladin Sevarlic** who believes that the agreement between the farmers and the government is an "**extorted reconciliation**" and that, without long-term solutions, the problems will be manifested in the future. Sevarlic said that the situation would escalate to "**a huge uprising of Serbian producers who do not receive a penny of subsidies,**" which, he says, comprise 83.3 percent of all agrarian registered farms. According to Sevarlic, it is estimated that the estates of 10 to 100 ha, include about 19,000 households and receive about 80 percent of the total amount of subsidy per hectare. Sevarlic also pointed out that in 2009, there were only 84,000 users of subsidies, in 2010, 10,000 less, and that, according to estimates of the Ministry of Agriculture and Trade, the number this year will be even lower. The professor said that he advocated the reintroduction of subsidizing all registered farms, but according to certain criteria, including differences in the level of subsidy according to the class of land. "**Serbia ought to make a thorough analysis of agricultural policy, because we have**

**the Ministry of Agriculture and the concept of agricultural policy which practically touches only one tenth of the agricultural subject, and with such a concept our country has no business in the accession and harmonization with the CAP"** concluded Sevarlic.

Experts fear that the government's yielding to farmers can lead to further reduction of state subsidies in animal husbandry. In fact, in 2010 Serbia faced milk and meat shortages due to unprofitable production. With reduced funds the Ministry therefore tried to help everyone - farmers and cattle breeders.

Now will the money that was intended to subsidize cattle breeders will be allocated to large farms. However the main problem is that the Government hasn't recognized the agriculture as industry that can be a pillar of the development of Serbia.

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Although recently the President of the Republic referred to agriculture as the "Serbian oil", the state does not invest in development of this industry. Serbia has a surplus in agricultural trade with the world. In 2008 the exports were nearly two billion dollars, and imports \$ 1.5 billion. Surplus is to be commended, but even 62.5 percent of our agricultural export refers to the countries of former Yugoslavia, while a small part to the CEFTA countries and insignificant part of agricultural produce is exported to the EU market. EU is investing in agriculture \$ 130 per capita a year, while Serbia only 29 dollars. Serbia has 5.11 million



hectares of agricultural land. According to experts, Serbia with improved agricultural production could alone feed over 80 million people. Unfortunately, the Serbia is content to feed only its own population. The situation in agriculture is alarming and Serbia could become an importer of food. Last year's price of 9 dinars for wheat was so small that a farmer with a yield of 5 tons per hectare couldn't even return what was invested. Purchase price of milk is three times lower than retail, while the purchase price of milk in the region and the EU is often higher than the price in a store. Therefore it is clear why today Serbia has five times fewer dairy cows than twenty years ago. It is cheaper to buy milk from farmers than to drink Mineral Water! The state must protect agriculture by good price policy and to save the peasants from interlopers and traders who live at the expense of those who work.

**It's high time agriculture was declared strategic Serbian industry and through investment to enable Serbia to live from it, rather than only to be fed.**

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Contemporary political elite is trying to understand global processes and timely prepare their societies to participate in them and benefit. That the production of food, particularly healthy, will be one of the most important needs of our planet is very clear. That Serbia has the potential to feed ten times more people than its own, it is also clear. Why Serbia is not trying to take that chance - no one knows.

Of course, in a poor country like Serbia we can not expected to have resources for agriculture if there

are no resources for other vital things. It was recently announced that the economic picture of Serbia today is almost identical to Serbia 40 years ago, if you look at industrial production, income and gross domestic product (GDP). An economist **Miroslav Zdravkovic** recently announced that for the **"current average salary of 39,928 dinars can be bought almost identical amount of foods as in 1972 when the salary was 1,550 dinars. Industrial production was higher in almost all branches that exported, but much less in the production of food and electricity"**. Professor of Economics Faculty **Ljubodrag Savic** confirms that our industry, especially in the last 20 years, is struggling. **"I understand why we had problems in the last decade of the 20th century; it is time that we all know well - the time of collapse, sanctions, wars - so the industry really lost the pace. But it is unacceptable that after 2000 it continued to develop so. It's unbelievable that the rate of growth in industrial production since 2001 to 2008 was only 1.9 percent annually, while the growth rate of GDP was 5.4 percent. And instead of industry, services have developed that recorded a growth rate of 10 to 15 percent annually. And that's the bad fact that led to our industrial production being at the level of 1970"**. Savic said.

All this is a consequence of relations of the political elite to the country they consider their own prey caught in the elections. Necessary social and economic reforms from year to year have been delayed, the governments opt for a kind of tacit pact with the public, within which is spent more than it is produced, with a hope that someone else will pay the bill, while the political elite is not ready



for serious and painful social and economic reforms. It's been eleven years since the democratic changes, and many important reforms haven't been implemented. Now Serbia is once again in election fever, as the general parliamentary and local elections are to take place the following spring. It is clear that in an election year the incumbents will undertake no unpopular moves. This means that any reform is to wait at least another year. The question is how long will Serbia be able to withstand working less than spending, living better than it can and deceiving itself?