AGRARIAN STRATEGY AND POLICY OF THE REPUBLIC OF SERBIA

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ABSTRACT
The subject matter of this paper are the changes in the directions and content of the agrarian strategy and policy in the Republic of Serbia during the last two decades, which occurred primarily due to the need to adjust to the standards of the Common Agricultural Policy of the European Union. The paper starts from the assumption that the process of creating agrarian policy and its transmission to economic flows is very complex and slow and requires the activity of a large number of actors and relevant institutions. Key strategic documents in the field of agriculture as well as measures of the current agricultural policy were analyzed. The aim of the paper is to examine the compliance of current agricultural policy measures with the priorities of agricultural development that are determined by these strategic documents, and above all the Strategy of Agriculture and Rural Development of the Republic of Serbia for the period 2014-2024.

Keywords:
economic system, agricultural development strategy, agricultural policy, the Republic of Serbia
JEL: E61, O29, Q18

Introduction
Due to its natural characteristics of land, climate and water resources, the Republic of Serbia has the potential in the agricultural sector, which is not fully exploited. With an adequate agricultural policy, agriculture can make an additional contribution to the economic development of the country. Due to its connection and impact on other sectors of the economy, agriculture is extremely important, considering that it employs, directly or indirectly, a large number of people, participates mostly in foreign trade,

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ensures food security and contributes to rural development and ecological balance. According to the geographical position, the Republic of Serbia has areas in which there are opportunities for both extensive and intensive type of agricultural development. With land meliorization, it is believed that only AP Vojvodina is such a fertile plain that it could feed half of Europe (Đurić, Prodanović, 2017).

Agriculture is the oldest economic activity in Serbia, today with a relatively modest position in the country’s economy. During the period of the monarchy, from 1882 to 1944, Serbia was one of the less developed agricultural countries, and during the socialist period, from 1945 to 1990, with a lot of effort it became a medium developed industrial state with relatively strong agricultural production and food industry. In the years of economic transition, at the beginning of the 21st century, however, Serbian agriculture entered a period of stagnation and crisis. Its relatively unfavorable position in the economy was the result of systemic neglect by economic policy makers. Instead of investing in this strategically important economic branch, with distinct comparative advantages, a retrograde process of disinvestment took place in Serbia (Pejanović, Cvijanović, Njegovčan, Tica, 2009).

### Basic characteristics of Serbian agriculture

The Republic of Serbia has 5.06 million hectares of agricultural land, of which 71% is used intensively, in the form of arable land, orchards and vineyards, while 29% of agricultural land is natural grassland - meadows and pastures. The dominant part of agricultural land, 3.3 million hectares or 65%, is in the form of arable land, of which about 7% is not used annually, i.e. remains in the form of fallow land or uncultivated land (Statistical Office of Serbia, 2020). In addition to areas that are left for fallow, a significant part of the area under meadows and pastures is not used due to inaccessibility, weeds or due to economic unprofitability. It is estimated that between 200 and 350 thousand hectares of arable land and meadows are not cultivated every year, while the area of unused agricultural land, including pastures, is about 13% of the total arable agricultural land (Ševarlić, 2015).

In addition to insufficient use of arable agricultural land, the key problems of agriculture in the Republic of Serbia are: a large number of elderly rural households and unprofitable production on a significant number of agricultural holdings. The main reasons for this phenomenon are the long-term demographic and economic problems faced by privatized agricultural farms (Gnjatović, Leković, 2019). Namely, the uncultivated areas are mostly where the elderly rural households remained as owners. According to the 2012 Census of Agriculture of the Republic of Serbia, the average age of the rural population in Serbia was 59 years (Statistical Office of Serbia, 2014). Also, the economic unprofitability of using certain lands that are of poorer quality or do not have the appropriate infrastructure is visible.

The problems faced by the agriculture of Serbia have caused a lag in its development compared to the development of agriculture in the European Union. At the global level,
with the increase in the level of economic development, the share of agriculture in the formation of GDP is decreasing. This is the case with the countries of the European Union, where in the period from 2001 to 2020, GDP per capita increased from 17,185 US dollars to 34,173 US dollars (The World Bank Data, 2022a), and the contribution of agriculture to GDP decreased from 2.6% to 1.3% (The World Bank Data, 2022b). In the same period, in the Republic of Serbia, GDP per capita increased from 1,727 US dollars to 7,731 US dollars (The World Bank Data, 2022c), and the contribution of agriculture to GDP decreased from 14.6% to 6.3% (The World Bank Data, 2022d). Despite the decrease in the share of agriculture in the GDP of the Republic of Serbia, it is still significantly higher than the corresponding average indicator for the countries of the European Union (Table 1).

**Table 1.** The share of agriculture in GDP of the Republic of Serbia and the EU, 2001-2020, in %

<table>
<thead>
<tr>
<th>Year</th>
<th>The Republic of Serbia</th>
<th>European Union</th>
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<tbody>
<tr>
<td>2001</td>
<td>17.8</td>
<td>2.2</td>
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<tr>
<td>2002</td>
<td>12.9</td>
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<td>2003</td>
<td>11.4</td>
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<td>11.7</td>
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<td>2008</td>
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<td>2009</td>
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<td>2020</td>
<td>6.3</td>
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</tbody>
</table>

Source: The World Bank Data (2021c, 2021d)

This fact indirectly speaks of a lower level of economic development of the Republic of Serbia compared to the average level of development of European Union countries, because the share of agriculture in the GDP structure of the Republic of Serbia is four times higher than the corresponding indicator for European Union countries. It should be noted that the high share of agriculture in the GDP of the Republic of Serbia
compared to the share of this sector in the GDP of the European Union countries can be partly attributed to the relatively slower process of technological progress of industry (Savić et al., 2016).

With industrial development, there is a long-term tendency to reduce the share of agriculture in the total population, where the agricultural population refers to persons whose livelihood depends on agricultural production. This tendency is a feature of the process of deagrarization, i.e. abandonment of agriculture, in which the population engaged in agricultural activities is retrained and employed in other economic activities, in industry and the service sector, mostly in urban centers. Such demographic trends can be attributed not only to faster growth and development of industry and service activities than agricultural growth, but also to intensification of agricultural production and an increase in productivity of this strategically important economic activity (Đurić, Njegovan, 2016). The phenomenon of deagrarization is related to the phenomenon of depopulation of rural areas. While in 2001 in the European Union the rural population participated with 29% in the total population, its share in the total population by 2020 was reduced to 25.5% (The World Bank Data, 2022e). With industrialization and urbanization, in the Republic of Serbia there was a process of deagrarization, as well as the process of depopulation of rural areas, i.e. the concentration of population in urban centers. These processes are indicated by census data. According to the 2002 census, the share of agricultural in the total population was 10.9%, and according to the 2011 census, it was reduced to 8.8%. At the same time, there was a depopulation of rural areas and a concentration of population in urban centers as the share of rural in the total population decreased from 47% in 2001 to 44% in 2020 (The World Bank Data, 2022f). The presented comparative data clearly indicate that the process of depopulation of rural areas in the Republic of Serbia would continue in the coming years.

Tasks of agrarian policy

Since agrarian policy is one of the public policies, i.e. the policy created by the state, in that way it is related to and influenced by numerous factors that determine and regulate it more closely (Blanuša, Petrović, Stevanović, 2021). In the field of agricultural policy, the state can actively participate and influence the development of agriculture by introducing subsidies for individuals and legal entities, especially when it is in the public interest to protect citizens and the economy, to support investment and employment, build infrastructure, provide education of agricultural personnel and, above all, provide safety in the production of healthy food (Lencucha et al., 2020). The state can also provide certain services to the economy, through public companies, institutions and agencies owned by it, and when they are provided by the private sector, then the state can encourage them through public-private partnerships (Ponnusamy, 2013).

The main task of economic policy makers is to find spots for intervention, i.e. points where it is possible to achieve important and desired changes in the field of agriculture, so that it can be continuously improved and modernized (Bonnen, 1973). These important points of change most often appear in the form of innovated laws
and rules, changes in organizations that affect the creation of agricultural policy in the form of ministries, administrative institutions, agencies, as well as encouraging, strengthening and redirecting already initiated systemic reforms such as privatization, entrepreneurship and decentralization. By analyzing the situation in the economy, and thus in the agriculture of a country, one can find out the problems and reasons for insufficient regulation of a certain area and reduced efficiency of the same. The analysis can determine the success of the applied instruments and measures of agricultural policy, in order to identify and solve problems. First of all, it is necessary to discover the causes of insufficient efficiency of a certain agrarian policy and to define the activities that must be done in order for that policy to be successful, i.e. more efficient (OECD, 2020). Within every activity related to agrarian policy, it is necessary to act in such a way that the effects resulting from its implementation are as positive as possible. And we can say that it is desirable for this policy to be as economical as possible (Shikur, 2020).

Agrarian policy is a set of measures of economic policy, which includes the entire activity of its bearers directed towards agriculture. Agrarian policy is most often defined as a consciously directed action of the government realized in the food sector so that limited resources are optimally used in order to achieve production results that are in line with the social belief “what should be”. In that sense, the agrarian policy is aimed at creating an ideal food system that should ensure the realization of a mix of diverse goals seen through the need to provide: adequate food for all; cheap food; available food throughout the year; health safe food; and appropriate lifestyles for farmers (Drummond, Goodwin, 2010).

From the above, we can conclude that the process of creating agrarian policy and its transmission to economic flows is very complex and slow and requires the activity of a large number of actors and institutions. As soon as a problem that has arisen in the agro-system is defined, the development of possible actions that can solve that problem is automatically started, which means that a new, more efficient agrarian policy is approached. At that moment, the authorities of the state appear, which must officially adopt such a policy in order for it to work. This is followed by the implementation of such a policy in order to implement those activities that are considered to bring progress to agriculture and the food industry of the national economy. The last step in implementing an agricultural policy is its evaluation to determine its effects and its justification in the decision-making system that affects the development of the economy (Staniszewski, Borychowski 2020). The analysis of such a policy sometimes, often, gives unexpected results because it may not work as intended.

The Republic of Serbia has a relatively long tradition of policy in the field of rural and regional development, dating back to the SFRY period. In socialist Yugoslavia, there were pronounced regional disparities in the development of the federal units, as well as heterogeneity in natural resources and in the production, economic and organizational parameters of agricultural production (Simovović, Tomić, 2001). In the early 2000s, agrarian policy was mostly aimed at resolving problems related to very difficult situation that arose after the political crisis and financial problems of the
1990s, with large variations and unfavourable trends in the share of the agrarian budget in the central government budget. (Kuzman et al, 2017).

During the first decade of the 21st century, the agrarian policy of the Republic of Serbia has made a serious shift in strategic directions and mechanisms of its implementation. First, the government support has been focused only on registered agricultural farms; second, the diversification of government support measures has been introduced aimed at increasing the competitiveness of family commercial farms; third, the mechanism of government support has been transformed, from the policy of price and income incentives, to the policy of investment incentives (Pejanović, Radović, 2011). In that period, the Agricultural Development Strategy (2005) was adopted, and since 2007 the system of direct payments per hectare of sown area, i.e. livestock, has been more presented, and support for investments, modernization and rural development has increased but to a modest extent.

Both in the first and in the second decade of the 21st century, the state insisted on the adoption of numerous documents for the regulation of the agricultural sector, i.e. for the revival of agricultural production. In this regard, the necessary strategies and economic policy plans have been adopted, aimed to contribute to the modernization and progress of agrarian activity. Among them, most important have been Agricultural Development Strategy (2005) and Agriculture and Rural Development Strategy of the Republic of Serbia for the period 2014-2024 (2014). These strategic documents showed the readiness of the state to take important steps in the direction of agricultural development, modernization of rural areas, poverty reduction, as well as the reduction of the unemployment rate in rural areas. In this paper, we refer to the measures of agrarian policy, outlined in these documents that are directly related to the issue of improving agricultural production.

**Agrarian policy measures in agricultural development strategies**

The 2005 Agricultural Development Strategy defined the long-term development goals of the primary sector of the economy. The emphasis was on building a sustainable and efficient agricultural sector that could compete in the world market, contributing to the growth of national income. In the forefront was the provision of food that meets the needs of consumers in terms of quality and safety, as well as providing support for living standard for people who depend on agriculture and are not able to follow the pace of economic reforms. Also, the issue of sustainable rural development as well as the preservation of the environment from the impact of possible adverse effects of agricultural production has taken an important place in the strategy. All these strategic commitments were placed in the context of the preparations of Serbia for the integration in the European Union as well as the preparation of domestic support and trade policies in agriculture for the Word Trade Organization rules (Agricultural Development Strategy, 2005).
In the field of market economic reforms, which were undertaken in the Republic of Serbia in the first decade of the 21st century, the determination of economic policy makers was the harmonization of the economic system with the economic system of the European Union. Strategic commitments in the field of agricultural policy should be viewed in this light (Cardwell, 2004). When it comes to the tasks of agricultural policy whose implementation should have realized the set strategic goals, the mentioned Strategy emphasized the progressive reform of the customs protection system and domestic subsidies, so that they would have less influence on producers’ decisions on what to produce, leaving them free to follow the market and to choose the ways to adapt to that market (Stanković, 2012). Three phases of reform were envisaged.

In the first phase of the reforms, the mentioned Strategy envisaged that government subsidies would be gradually reduced and that funds would be redirected to investments that would make agriculture in Serbia more profitable. Some of these forms of support, such as loans, should have been completely neutral, without giving instructions on what the producer should produce, while grants and input support would have been more focused on certain products. The mentioned Strategy also envisaged that all support possibilities be published and available to everyone, so that producers could have complete information when deciding what to produce. In the second phase of the reforms, a reduction in the subsidy for inputs was envisaged, as this would be required of the Republic of Serbia upon its accession to the World Trade Organization. At the same time, it was planned to increase the funds of the grant program and to focus on rural development, in the same way as the trend in the European Union, which should have resulted in further weakening of the link between state support and producers’ decisions to produce. In the third phase, which would end with the access of the Republic of Serbia to the European Union, conditions would be created for the adoption of the EU Common Agricultural Policy support system, which would then be applied. Support systems would then be concentrated on the area of the payment system and linked to different environmental criteria, but in no way related to producers’ decisions about what to produce (Blanuša, Petrović, Stevanović, 2021).

The message sent by the above mentioned Strategy was primarily focused on the necessity of technological development in the field of mechanization in order to achieve continuous improvements in agricultural production and increase efficiency in various spheres of agricultural activity. Namely, the progress in the mechanization sector enables man to cultivate much larger areas and to raise larger herds of cattle. Also, mechanization increases productivity per hectare (Savić et al., 2016). The problem that accompanies the use of mechanization in agricultural production is the trend of falling prices of agricultural products, which means that producers are forced to increase their farms to provide the same level of earnings (Pejanović, Njegovin, 2011).

The goal of building a sustainable and efficient agricultural sector, set by the Agricultural Development Strategy from 2005, has not been achieved in the coming period. In the second half of the first decade of the 21st century, there was a relatively spontaneous privatization of socially owned companies in the Republic of Serbia, with modest
foreign investments. Among the privatized companies, there were also companies in the food industry and most agricultural combines. The result of these spontaneous reforms was the creation of an uneconomical structure of fragmented agricultural holdings and the aggravation of problems in agriculture that marked its development.

Due to the fact that the goal of building a sustainable and efficient agricultural sector had yet to be achieved, nine years after the Strategy from 2005, a new Strategy for Agricultural Development was adopted (Strategy for Agriculture and Rural Development of the Republic of Serbia for the period 2014-2024, 2014). This Strategy has been fully oriented to the institutional changes which would enable the Republic of Serbia to adjust to the standards of the Common Agricultural Policy of the European Union. It emphasized the importance of the responsibility of the state in defining a framework of political and institutional changes that would contribute to more efficient development of the agricultural sector and welfare of rural residents. In order to adequately fulfill this goal, it has been stated that the obligation of the state is to respond to current challenges with a stable, long-term and efficient policy. In this sense, the wording of this Strategy has been motivated by the need to respond to internal and external challenges with a new concept of agricultural policy. The need to reduce the technological development gap with competing countries and enable the agricultural sector to cope with the effects of climate change more efficiently was emphasized. Also, the necessity of increasing the efficiency of the food chains and the competitiveness of the agri-food sector was emphasized. As in the previous Strategy, significant attention has been paid to providing a stable income and business environment for farmers and other entrepreneurs in rural areas. Also, the need to achieve economic, environmental and social goals of sustainable development was underlined, in which multifunctional agriculture and rural development would have a special place. Further, the readiness to respond to the requests arising from the process of joining the World Trade Organization and the European Union has been confirmed once again.

**Implementation of agrarian policy measures**

One of the most important documents related to the implementation of agrarian policy measures based on the Strategy for Agriculture and Rural Development of the Republic of Serbia for the period 2014-2024 (2014) has been the National Program for Agriculture for the period 2018-2020 (2017). It was an operational plan for the implementation of agrarian policy whose ultimate goal has been the effective integration and implementation of the EU agricultural policy in Serbian policy making. The Program contained measures classified as direct payment measures, market regulation measures, as well as special incentives and credit support in agriculture. Its curriculum also defined starting points and general and specific objectives of agricultural policy, types of measures and dynamics of their adjustment to the final form of implementation with the envisaged financial amounts and basic rules for implementation, as well as indicators for measuring achievement of base and target values. The Ministry of Agriculture, Forestry and Water Management has been responsible for the implementation of
this National Program, with the Sector for Agricultural Policy in charge of creating agricultural policy measures, while the Directorate for Agrarian Payments has been responsible for implementing measures. Until the end of the program period, the Ministry of Agriculture, Forestry and Water Management tried to fulfill all planned activities in administrative, financial and essential terms, so that the Program would have been implemented in accordance with the EU criteria and the Law on Incentives in Agriculture and Rural Development (2016).

It is known that the success of agrarian policy depends heavily on the availability of government budget means for the realization of its goals. The main source of financing of agrarian policy in the Republic of Serbia is the central government budget (Kuzman et al., 2017). An additional source of financing are budget funds at the level of local administrative units, as well as budget funds at the level of the Autonomous Province of Voivodina. Budget funds of local administrative units and Autonomous Province of Voivodina are realized through programs to support the implementation of agricultural and rural development policy and could be used to finance all measures provided by the Law on Incentives in Agriculture and Rural Development (2016) except for certain measures of direct payments (Blanuša, Petrović, Stevanović, 2021).

<table>
<thead>
<tr>
<th>Year</th>
<th>Agrarian Budget</th>
<th>Year</th>
<th>Agrarian Budget</th>
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<tr>
<td>2012</td>
<td>4.0</td>
<td>2020</td>
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Source: Ministry of Agriculture of the Republic of Serbia

The budget funds from central government, local administrative units and autonomous province of Voivodina aimed for agricultural and rural development form the agrarian budget of the Republic of Serbia. According to the data for the period from 2008 to 2017, presented in the National Program for Agriculture for the period 2018-2020 (2017), the agrarian budget has been relatively modest, amounting to less than 5% of overall government budget. If we look at this indicator for the previous years of the analyzed period, from 2004 to 2017, we can see that the share of agrarian budget in the total government budget has been maintained on the same low level (Table 2). Namely, in 2004 it was prescribed that the state must allocate at least 5% of overall budget funds for agriculture but that goal has never been reached except for 2004. The same is true for the period following the adoption of the National Program for Agriculture for the period 2018-2020 (2017) According to the corresponding data for the period from 2018 to 2020, published in the Draft National Program for Agriculture for the period 2022-2024 (2022), it follows that the share of agrarian budget in the total government budget
has finally reached the legal 5% minimum in 2019 and 2020. Comparisons with the corresponding allocations in the European Union speak of relatively modest allocations from the budget of the Republic of Serbia for agriculture. The European Union uses one third of the total revenues of its budget to finance the Common Agricultural Policy (Grbić et al, 2013).

In the process of the preparation for membership in the European Union, the Republic of Serbia has the obligation to adjust its policy and legislation to a very complex European model of agriculture. With the implementation of activities envisaged by the National Program for Agriculture 2018-2020, the institutional framework of agriculture should have been at a level that would enable the implementation of all relevant EU policies, as well as the functioning of the system in such a way that domestic producers preserve maximum benefits. However, the tasks set by the said Program have only been partially achieved. It is even possible to state that the process of adjusting the agricultural policy to the European model of agriculture is still in the preparatory phase. Namely, the preparations for this process so far have been focused on the adoption of legal solutions and adjustment to the acquis communautaire. A number of laws and regulations have been adopted, but their effective implementation is still at an early stage in most areas. As a positive development, the first steps in establishing new and improving existing bodies and organizations can be considered. Further harmonization of domestic legislation with the legislation of the European Union should take place with continued training and development of the administration, entrepreneurs, farmers and all other actors related to the implementation of this very demanding legislation. When assessing the degree of implementation of the National Program for Agriculture 2018-2020, it is necessary to look at the state’s support for agricultural development. In the published Draft National Program for Agriculture for the Period 2022-2024 (2022), there is a statement that the agrarian budget should has been still insufficient for more efficient development of agrarian sector of the economy. Incentives for the training of staff in agricultural farms, as well as for strengthening ties between the state administration and farmers who need expert and administrative assistance in order to apply for and use state subsidies and foreign aid, are particularly stressed.

**Conclusion**

The economic policy makers in the Republic of Serbia are trying to contribute to the revitalization of this extremely important branch of the economy through various measures of agrarian policy, but no measure has so far yielded sufficient results. What would revitalize agricultural production, and thus the economy and society of the Republic of Serbia, because agriculture is the basis of any developed national society with such or similar geographical features, is market-oriented economic policy, investment in mechanization, agricultural infrastructure development, with state incentives to raise the level of motivation and training of agricultural holders.

The Republic of Serbia does not have a sufficiently developed role of agriculture in economic development, which is indicated by the relatively low agrarian budget and
only partial implementation of the established agrarian policy. Inadequate treatment of agriculture results in the fact that the process of deagrarianization and depopulation of rural areas has not been stopped yet. The construction of the necessary infrastructure, access of the rural population to agricultural schools and other relevant educational institutions, as well as the development of health care for agricultural producers will be basic parameters for assessing the effects of measures to be taken by the Republic of Serbia in the coming years.

Conflict of interests

The authors declare no conflict of interest.

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