Assessment of the impact of COVID-19 on agrifood systems in the Western Balkans

Regional synthesis report
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Regional synthesis report

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<th>Description</th>
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<tbody>
<tr>
<td>CEFTA</td>
<td>Central European Free Trade Agreement</td>
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<tr>
<td>COICOP</td>
<td>Classification of individual consumption by purpose</td>
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<tr>
<td>CPI</td>
<td>Consumer Price Index</td>
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<tr>
<td>EC</td>
<td>European Commission</td>
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<tr>
<td>FAO</td>
<td>Food and Agriculture Organization of the United Nations</td>
</tr>
<tr>
<td>FAOSTAT</td>
<td>Food and agriculture organization statistics</td>
</tr>
<tr>
<td>FBPI</td>
<td>Food and non-alcoholic Beverages Price Index</td>
</tr>
<tr>
<td>FPI</td>
<td>Food Price Index</td>
</tr>
<tr>
<td>GDP</td>
<td>gross domestic product</td>
</tr>
<tr>
<td>HTC</td>
<td>Harmonised Trade Classification</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>IPARD</td>
<td>Instrument for Pre-accession Assistance for Rural Development</td>
</tr>
<tr>
<td>MSME</td>
<td>Micro, small and medium enterprises</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>REAWG</td>
<td>Regional Expert Advisory Working Group</td>
</tr>
<tr>
<td>SME</td>
<td>Small and medium enterprises</td>
</tr>
<tr>
<td>SWG</td>
<td>Regional Rural Development Standing Working Group in Southeastern Europe</td>
</tr>
<tr>
<td>VAT</td>
<td>Value Added Tax</td>
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<tr>
<td>WHO</td>
<td>World Health Organization</td>
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</table>
Introduction

This report describes the impact of COVID-19 on the agrifood sector and rural populations of the Western Balkans in 2020, both at individual country/territory level and for the region as a whole, and the government measures and initiatives that were adopted in response. Based on its findings, the report offers a set of policy recommendations for addressing the current crisis and building back better from the pandemic.

The report is based on research carried out by the Regional Rural Development Standing Working Group (SWG) in Southeastern Europe, supported by the Food and Agriculture Organization of the United Nations (FAO). The objectives of the study were:

- to assess the multiple impacts of COVID-19 on agriculture, food, and rural areas;
- to present the key policy interventions and measures taken in response to the economic impact of the COVID-19 crisis; and
- to propose respective strategic approaches and policies, as well as joint actions for overcoming the consequences, providing stimuli to accelerate the recovery and to build resilience.

The research covers the period from March to September 2020, in which most countries/territories in the region underwent two peaks of the COVID-19 pandemic. This report begins by describing the ‘research methodology’ (chapter 1) that was used to assess the impact. Chapter 2 describes the evolution of COVID-19, and its macroeconomic effects. Chapter 3 spells out the policy responses of national governments to the crisis, with special emphasis on those related to the agrifood sector and rural areas. Chapter 4 provides an overview of the observed trends during the pandemic, including in the supply of inputs for agriculture and their prices, agricultural production and yields, the food-processing industry, volume of sales and prices of food at retail level, sales of food through green markets, trends in food imports and exports and their impacts on national food self-sufficiency. Chapter 5 describes the impact in rural areas and the challenges they faced during the COVID-19 outbreak. Finally, conclusions and recommendations are put forward for the consideration of policy makers.
Chapter 1.

Research methodology

This study was conducted by the SWG Regional Expert Advisory Working Group (REAWG) at country/territory level, and the report is a regional synthesis that summarises the findings of individual national reports. National reports followed a given research template that was identical, to facilitate crosscountry comparability and the compilation of data into aggregate figures that could describe regional impacts. The research used only secondary information, including a desk review on relevant surveys, reports, publications, and official statistical data for the period March to September 2020.

The analysis of policies consisted of the review of official documents and legislative decrees adopted by the national governments, supplemented by interviews with competent interlocutors. The agriculture policy measures were grouped into several types of policy interventions: custom regimes, price control measures, market interventions, input subsidies, direct payments, credits, rural investments, and country-specific measures summarised in a unified template.

Variables that were studied included farm input supply, agricultural and food industry production, internal and international trade of agricultural and food products, and food self-sufficiency at country/territory level. Quantitative and qualitative data from the pandemic period (March to September 2020) was compared with data from the period prior to the pandemic (2019) on an annual or monthly basis, depending on the selected indicator.

Changes in agricultural production were assessed only for short crop production cycles, and based on national statistical reports. They include data on sown areas, and outlooks of production and yields. For the food-processing industry, monthly growth rates and indices of industrial production in the food manufacturing industry were computed relative to the same months of previous years. The nominal and real rate of change in turnover in retail trade, and in particular retail trade of food, beverages, and tobacco, were compared with the previous month, as well as the same month of the previous year. Data on food sales in shops were supplemented by indices of sales in green markets, on a monthly or quarterly level. Food prices were studied for food and non-alcoholic beverages, and the indices compared with the Consumer Price Index (calculated according to the classification of individual consumption by purpose, or COICOP) on a monthly basis during the observed period, and relative to the previous year. Price indices for agricultural inputs were also assessed relative to the previous year. Foreign trade was monitored and evaluated monthly for each country/territory, comparing trends during the seven observed months in 2020 and comparing exports and imports with the same months in 2019. An attempt was also made to evaluate the level of food self-sufficiency at country/territory level, but a lack of and inconsistency in secondary data did not allow the computation of reliable estimates.
Chapter 2.

COVID-19 in the Western Balkans

The COVID-19 outbreak hit Western Balkan countries/territories at the beginning of March 2020, somewhat later than southern and western European countries. The first COVID-19 case in the region was registered in late February in North Macedonia. The further spread of the pandemic across the Balkans has been at different speeds and scales, with Montenegro being the last country to report its first case of COVID-19 infection – on 17 March 2020.

During the time period covered by this research, the pandemic consisted of three waves. The first was in spring (March–May), when the first cases of infection appeared. Looking at the number of infections and deaths, in that first wave Western Balkan countries/territories were hit by COVID-19 less than many European Union countries, due to very restrictive containment measures taken by governments to limit the spread of the virus. At the end of May, Montenegro was the first country to become “coronavirus-free” – that is, having no active cases on its territory. However, cases then rose sharply with the opening of borders and the inflow of tourists.

The second wave lasted from June to September when, although the number of infections was moderate but steadily increasing, many restrictive measures were lifted or mitigated. Similar patterns were observed during the summer months in all countries/territories, except in Serbia, where the second wave (or the second peak of the first wave) saw a noticeable peak. Namely, over May and June, Serbia had relatively low numbers of new cases until after the elections (held on 21 June), when the pandemic returned with full force and the number of daily infections rose sharply.

By the end of September, the number of confirmed cases in all Western Balkan countries had reached approximately 103,500.

Figure 1. The number of confirmed daily COVID-19 cases in Western Balkan countries/territories.

Source: https://covid19.who.int/table (24 November 2020)
The third wave started in October, when the number of infections and deaths increased drastically, and governments reintroduced various restrictions on gatherings and movement. In the following months, trends in the number of infected, dead, and recovered people varied from country to country, but in most countries/territories, figures reached their highest levels since the beginning of the pandemic.

The COVID-19 crisis has led to disruptions in Western Balkan economies, particularly in the second quarter of 2020 when the effects of containment measures and overall economic slowdown became more pronounced. Every country in the region reduced exports and investments, and supply chains were also affected, but showed resilience. Notable was the impact on the tourism sector, particularly in Albania and Montenegro, where in the first nine months of 2020, there were 77.7 percent fewer arrivals and 79.7 percent fewer tourists’ overnight stays than in the same period in 2019. Despite job support schemes and other measures adopted by national governments to help businesses retain staff, declining economic activity led to rising unemployment and a decrease in labour-force participation.

Due to an increase in crisis-related spending and loss of budget revenues from taxes in the second quarter, general government debt increased in all countries/territories. To mitigate losses for small enterprises and sectors that were most affected, Western Balkan governments responded with generous economic support packages and measures to stimulate consumption. These support programmes contributed to alleviating the decline in activity and employment, yet inevitably led to further fiscal deficit and accumulation of debt. At the end of June, the debt ratio was highest in Albania (81.5 percent of GDP) and Montenegro (78.2 percent), followed by Serbia (58.1 percent) (World Bank, 2020). Deficits will likely stay high in 2021, although not as high as in 2020.

The expected drop in remittances – constituting about 9 percent of gross domestic product (GDP) in Western Balkan countries/territories – caused by travel restrictions and increased unemployment in the European Union, will likely put additional pressure on the fiscal sustainability and welfare of migrant households in the Western Balkans. Data for Serbia for the first half of the year show that in early 2020 (January–May), foreign remittances declined by 9.4 percent compared with the same period of the previous year (Bogdanov, 2020), and by 30 percent in Bosnia and Herzegovina (Vaško, 2020). The forecasts for Albania are similar, although data for Kosovo still do not show signs of a decrease (Hyseni, 2020).

*This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.
Table 1. Key macroeconomic indicators.

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<tbody>
<tr>
<td>Albania</td>
<td>2.2</td>
<td>-2.3</td>
<td>-10.2</td>
<td>-4.8</td>
<td>4.2</td>
<td>12.0</td>
<td>11.9</td>
<td>12.5</td>
<td>14.9</td>
<td>13.5</td>
<td>-1.9</td>
</tr>
<tr>
<td>North Macedonia</td>
<td>3.6</td>
<td>0.2</td>
<td>-12.7</td>
<td>-3.9</td>
<td>4.0</td>
<td>17.3</td>
<td>16.2</td>
<td>16.7</td>
<td>18.1</td>
<td>17.6</td>
<td>-2.0</td>
</tr>
<tr>
<td>Montenegro</td>
<td>4.1</td>
<td>2.7</td>
<td>-20.2</td>
<td>-5.9</td>
<td>4.4</td>
<td>15.4</td>
<td>16.6</td>
<td>15.7</td>
<td>17.0</td>
<td>16.2</td>
<td>-2.0</td>
</tr>
<tr>
<td>Serbia</td>
<td>4.2</td>
<td>5.1</td>
<td>-6.4</td>
<td>-4.1</td>
<td>6.1</td>
<td>10.4</td>
<td>9.7</td>
<td>7.3</td>
<td>12.7</td>
<td>10.0</td>
<td>-0.2</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>2.9</td>
<td>2.0</td>
<td>-9.3</td>
<td>:</td>
<td>:</td>
<td>15.7</td>
<td>N.A.</td>
<td>N.A.</td>
<td>:</td>
<td>1.9</td>
<td>3.4</td>
</tr>
<tr>
<td>Kosovo*</td>
<td>4.9</td>
<td>1.3</td>
<td>-9.3</td>
<td>:</td>
<td>:</td>
<td>25.7</td>
<td>25.0</td>
<td>:</td>
<td>:</td>
<td>-2.9</td>
<td>0.2</td>
</tr>
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The forecasts for the path and speed of post-Covid economic recovery in the Western Balkans vary significantly (World Bank, 2020). However, there is a broad consensus that it will largely depend on how the pandemic evolves regionally and for the region’s main trading and investment partners (particularly the European Union), as well as on fiscal sustainability and public-debt management. The relatively optimistic outlook for 2020 GDP growth at the beginning of the COVID-19 crisis has been revised downwards on several occasions, reflecting the notable contraction in the second half of 2020. At the end of 2020, GDP was expected to decline across all countries/territories, albeit unevenly. Predictions are that Serbia will record a moderate GDP decline (down 2.5 percent), followed by North Macedonia (down 5.4 percent), Bosnia and Herzegovina (down 6.5 percent), Albania and Kosovo* (both down 7.5 percent), and Montenegro (down 12 percent) (IMF, 2020). Economic growth is projected to rebound in 2021, but due to the large economic and social packages distributed during the crisis, budget deficits are also expected to grow. In addition, the third wave of the pandemic, which started in October 2020, has put additional pressure on already fragile systems. Therefore, a rapid recovery in 2021 seems rather unlikely.
Chapter 3.
Policy responses

Cross-sectoral actions and measures

Once the virus started to spread across the region, national governments reacted swiftly in putting in place a set of containment measures. Beyond measures aimed at risk prevention and reduction, all of the countries/territories adopted measures and programmes to ease the negative impacts of the pandemic on socio-economic systems.

The first measures taken by governments in Western Balkan countries/territories were related to the closure of borders, schools, restaurants, non-essential shops, bans on gatherings, in-country travel restrictions, curfews and more restricted movement of vulnerable groups (elderly citizens and children). Over the first wave of the pandemic, various regimes of total curfews or partial shutdowns were implemented, with usually less restrictive rules for essential workers and farmers.

Apart from movement restrictions, numerous legal, economic, and financial measures to mitigate the impact of the COVID-19 outbreak on businesses were introduced, including to prevent job losses. These included:

Fiscal and financial measures. These measures were implemented based on various national programmes dedicated to the business sector and small and medium enterprises (SMEs) in particular. The measures included providing credits with simplified application procedures, relaxed eligibility criteria, and subsidised interest rates (Montenegro, North Macedonia); providing credit guarantees (Kosovo* Bosnia and Herzegovina), or both state guarantees and direct loans (Serbia). In some cases, the credit support was aimed at specific sectors, such as in Serbia (medical supplies, tourism and hospitality, agriculture and food processing), territories in the Republic of Srpska (agriculture), or a specific type of company as in North Macedonia (run or founded by women or employing young people, and export-oriented). Banks and other creditors allowed borrowers to restructure, reclassify, and reschedule loans (offered the possibility to take a moratorium and extend the repayment period) if borrowers were influenced by the crisis. In addition, deferrals of various payments (corporate income and personal income taxes, VAT, social security contribution, lease payments for state-owned real estate, etc.), as well as bringing forward expenditures within the current fiscal year (or even longer), were also implemented in all countries/territories in different forms. For example, taxpayers affected by the crisis in Kosovo* will be able to apply for an extension of tax payment deadlines for up to three years.

Financial aid programmes to save jobs and salaries were generous and have differed across the region. In some cases, the initial wage subsidy schemes were extended to other businesses (Albania) or prolonged (Montenegro, Serbia). In Montenegro, particularly affected sectors (tourism, hospitality, and transport) saw financial support granted (covering 100 percent, 70 percent, and 50 percent of salaries, respectively) for two additional months. Serbia provided coverage for five months (May to September) at a minimum of EUR 255 for the first three months, and 60 percent of the minimum wage for the period after that. In Bosnia and Herzegovina, several schemes were implemented by sub-national governments, with the amount rang-
ing from EUR 100 to EUR 200 per worker. In Kosovo*, subsidies covered the wages and pension contributions in the private sector for two months. Employees in essential businesses received extra bonuses – in Kosovo*, food retailers, pharmacies, and bakeries; in Serbia, the health sector. In North Macedonia, the wage subsidy was set at the level of net national minimum for the period April–June and applied only to companies whose revenues decreased by 30 percent, whereas companies in tourism, hospitality, and transport received extra subsidies of 50 percent of social contributions.

Social protection measures. The governments of all Western Balkan countries/territories expanded social assistance packages to the most vulnerable individuals and households. Financial support to pensioners was provided in all countries/territories through a one-off payment, as well as new cash benefit schemes intended for the unemployed (Albania, Montenegro, Kosovo*), or in Serbia even for all citizens (Matković and Stubbs, 2020). In Serbia, regular social-assistance payments continued to be made for those whose entitlement expired before the COVID-19 crisis, and later. North Macedonia, Albania, and Kosovo* extended the coverage of social assistance.

Simplified regional trade regimes. The implementation of a system of green corridors was initiated and coordinated by the Central European Free Trade Agreement (CEFTA) Secretariat, the Permanent Secretariat of the Transport Community, and the signatories to CEFTA. The system was set up to facilitate transport and trade in goods in the region. A ‘joint list of priority goods’, to be treated as priorities over other goods when conducting border controls, was adopted, and the agreement came into force on 16 April 2020. The list of products includes food, feed, medicines, medical devices, and medical equipment.

Agrifood policy measures

The sector-specific emergency measures that were designed to tackle the impact of the COVID-19 pandemic on agriculture and agrifood products in Western Balkan countries/territories varied considerably by country/territory, both in terms of instruments used and targeted sectors or intended beneficiaries, and budgetary spending. National reports lack complete data sets on extra budgetary spending on support to agriculture in 2020, which undermined the identification of factual trends. Apart from budget spending, national ministries responded to market volatility (Montenegro, North Macedonia, Bosnia and Herzegovina, Serbia) and the needs and challenges of particular subsectors. In most countries/territories, the implemented policies and instruments included flexibility and simplification mechanisms, exceptional market measures, and new schemes for particularly sensitive products and sectors. In most cases, measures were complemented with new programmes and funds, depending on the market evolution. All countries/territories applied measures in the agrifood sector, with the exception of Albania (Muça, 2020).

Exceptional market measures included temporary exemption from customs duties (North Macedonia), a temporary export ban (Serbia), price control on basic food commodities (Bosnia and Herzegovina, North Macedonia, Serbia) and raw materials and fuel (Bosnia and Herzegovina), quantitative restrictions on the purchase of foods (Bosnia and Herzegovina), and support for private storage and public procurement (North Macedonia, Montenegro, Serbia, territories in the Republic of Srpska).
• The temporary export ban on food products adopted by the Serbian government at the very beginning of the COVID-19 crisis was quickly lifted after checking the stocks of key commodities. The list of products initially included basic foods – wheat flour, sunflower seeds, sunflower oil, and white sugar. The list of products was gradually narrowed, and subsequently abolished. A similar measure was applied in North Macedonia.

• Prices of basic foods in Serbia, and Bosnia and Herzegovina, were limited so as not to exceed the price level of these products before the COVID-19 crisis. A similar measure was implemented in North Macedonia, while in Kosovo* inspections on the ground monitored price spikes.

• Measures aimed to support the withdrawal, storage, and distribution of agricultural products, support for the income of endangered farmers, compensation for the purchase of market surpluses, and the costs of failed products, were implemented in Bosnia and Herzegovina, Montenegro, and Serbia.

• Withdrawal and storage of surplus products (raw sheep, goat and cow milk; piglets, lambs, eggs, and chicken meat; Aronia) took place in Montenegro. In Serbia, this scheme was implemented through intervention buying of fattening cattle and natural exchange of corn for beef; the mechanism of intervention buying was used also in Bosnia and Herzegovina, for cattle, pigs and vegetables.

• Export subsidies were given to wine producers in North Macedonia, with the amount depending on the quantity of exported wine and transportation costs.1

• Financial support for farmers, fishers, fish farmers and processors – who were unable to market products, or lost a surplus of perishable products that accumulated in storage – was offered in Montenegro and Serbia (for cattle fatteners).

• Montenegro also decided to allocate surplus products to public institutions (hospitals, social housing centres, etc.), the Red Cross organization, and others, with compensation to producers of 100 percent of the market value of these products.

\[\text{Input subsidies}\] were implemented in Bosnia and Herzegovina, Kosovo* and North Macedonia.

• In Bosnia and Herzegovina (more precisely in the Republic of Srpska), two different support schemes were available: in-kind support (that is, the distribution of sowing packages of seed, fertilizer, pesticides for small vegetable farms of approximately 0.5 ha of vegetables); and subsidising the cost (of 50 percent) of purchased seeds of domestic origin for soybeans, corn, and oat, for spring sowing.

• In North Macedonia, the subsidy for green oil was increased from 30 percent to 50 percent.

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1 As WTO member North Macedonia has undertaken the commitment to eliminate export subsidies for agricultural products that include wine (Ministerial Decision on Export Competition, Nairobi 2015: https://www.wto.org/english/tratop_e/minist_e/mc10_e/briefing_notes_e/brief_agriculture_e.htm#exportcompetition)
Direct payments measures, in addition to the standard measures provided for by national programmes, were supplemented during the COVID-19 crisis by extra payments for certain sub-sectors (Kosovo*, Serbia). In most countries/territories, national ministries also enabled more flexible access to state support by relaxing rules and procedures (Bosnia and Herzegovina, Kosovo*, Montenegro, Serbia).

- In Kosovo*, higher amounts of direct payments were granted for dairy cows and buffaloes, sheep and goats, slaughtered cattle in licenced abattoirs, and for raspberries. In Serbia, topup payments were available for vegetable production in protected areas, as well as for livestock producers (per cow, sheep or goat, and per beehive). In North Macedonia, support was provided to wine-grape producers who delivered their grapes to registered wineries, as well as an extra subsidy (3 denars/kg) for spring cabbage producers.

- To facilitate easier access to state support, national authorities changed the rules to make conditions and criteria more flexible. In Serbia, the incentives per hectare for 2020 were paid to all farmers who exercised the right to this incentive in 2019; in Montenegro, advance payments of 80 percent of the direct payments per hectare/head were paid based on the payment lists from 2019; in Bosnia and Herzegovina, the deadline for submission of applications was extended. Various options for the online submission of documentation to access state support were also offered in most countries/territories.

New credit lines were not introduced by national ministries of agriculture in any Western Balkan country/territory. In some countries/territories, however, the total budgets for subsidising the interest rates for investment loans or loans to cover the operational costs of farmers were increased (Kosovo*, Montenegro, Serbia), and more favourable borrowing conditions for farmers were provided (Montenegro, Serbia). In Bosnia and Herzegovina, initially planned subsidies for capital investments were also increased.

The standard rural-development measures envisaged by ongoing national programmes did not change in 2020. However, access to rural-development support was relaxed for the beneficiaries of both national and IPARD programmes. Most countries/territories made administrative amendments to accelerate and ease on-the-spot verification required for project approvals, extend deadlines, allow on-line submission of documentation, and temporarily suspend other checks and controls. In Bosnia and Herzegovina, all requests for capital investment incentives were approved.

Furthermore, many country-specific measures related to the agricultural sector were implemented at the national or regional level, with a range of initiatives undertaken. These included support for the development of e-commerce platforms, and the establishment of short food chains and emergency food aid.
Table 2. Overview of the agricultural policy measures implemented in response to the COVID-19 crisis (Albania has not applied specific measures for the agricultural sector)

<table>
<thead>
<tr>
<th>Type of policy intervention</th>
<th>Montenegro</th>
<th>Serbia</th>
<th>Bosnia and Herzegovina</th>
<th>Kosovo*</th>
<th>North Macedonia</th>
</tr>
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<tbody>
<tr>
<td>Customs regimes</td>
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<td></td>
<td></td>
<td>100 percent exemption from customs duties on flour and wheat products, sunflower oil, white sugar, as well as other products for which there is the greatest demand during the pandemic. Limiting the export of wheat and wheat flour.</td>
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<td></td>
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<td></td>
<td>Price control of main food products (bread, salt, oil, milk and dairy products, eggs, flour, pasta, drugs, and disinfectants).</td>
</tr>
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<td></td>
<td>Price control by limiting the trade margin of citrus fruits.</td>
</tr>
<tr>
<td>Price control</td>
<td></td>
<td>Limited retail prices and margins of basic foods. Prices were limited so as not to exceed the price level of these products on 5 March.</td>
<td>Quantitative restriction on the purchase of flour, salt, oil, sugar, and hygiene maintenance products. Administrative control of food prices. This regime also applies to inputs for agricultural production and fuel.</td>
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<tr>
<td>Type of policy intervention</td>
<td>Montenegro</td>
<td>Serbia</td>
<td>Bosnia and Herzegovina</td>
<td>Kosovo*</td>
<td>North Macedonia</td>
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</tr>
<tr>
<td>Market interventions (subsidies for private storage, public procurement, etc.)</td>
<td>Purchase of raw sheep, goat and cow milk. Support for the withdrawal, storage, and distribution of surplus Aronia, lambs, eggs. Reimbursement of transport costs incurred by intervention purchase. Support to the income of agricultural producers registered for piglet production. Assignment of surplus chicken meat, eggs. Support per kg of cleaned, frozen and packaged trout and for the reimbursement of trout food costs.</td>
<td>Intervention buying of fattening cattle by the Republic Directorate for Commodity Reserves – natural exchange of corn for beef. Financial support of 26 dinar/kg (EUR 0.22) of live weight for purchased cattle for slaughter and processing intended for export. Support for cattle fatteners to the amount of 20 000 dinars (EUR 170) per head for fattening cattle that were sold to a person performing an activity in a facility for slaughtering animals.</td>
<td>Intervention purchase of cattle, pigs and vegetables. Subsidies to export-oriented companies and processors for priority purchase of domestic agricultural products.</td>
<td></td>
<td>Subsidies to stimulate grape growers (wineries) to produce alcoholic distillate which will later be used by domestic chemical companies to produce disinfectants. An export subsidy for the exported wine (depending on the quantity of exported wine and transportation costs).</td>
</tr>
<tr>
<td>Input subsidies</td>
<td>Distribution of sowing packages (seed, fertilizer, pesticides) for small farms (grant 100 percent) for approximately 0.5 ha of vegetables. Subsidy to farmers for soybean, maize, and oil seeds of domestic origin (50 percent). Subsidising domestic seeds to seed producers with 50 percent. Additional subsidies for spring sowing to the tune of EUR 4.25 million.</td>
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<tr>
<td>Type of policy intervention</td>
<td>Montenegro</td>
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<td>North Macedonia</td>
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</table>
| Direct payments             | Advance payment of 80 percent of the total support for premiums per head in cattle breeding, sheep breeding, goat breeding and pig breeding, and per hectare of arable land based on payment lists from 2019 and data in the relevant registers in ministries. | Extra direct payment (top-ups) for certain groups of farmers:  
  - EUR 0.21/m² of registered area for growing vegetables in a protected area, with a maximum of EUR 765;  
  - EUR 25.40 per cow, to a max. of about EUR 254;  
  - EUR 4.20 per sheep or goat, to a max. of about EUR 170;  
  - EUR 6.80 per beehive, to a max. of EUR 170.  
The basic incentives per hectare for 2020 were paid to all farmers who exercised the right to this incentive in 2019. | More flexible conditions for direct payments (without lower limits and with fewer preconditions).  
Postponed deadlines for payment fee of leases and concessions of agricultural land.  
Extension of the deadline for the submission of applications for subsidies. | A higher value of direct payments in comparison with 2019, as follows: dairy cows and buffaloes from EUR 70 to EUR 85, sheep and goats from EUR 15 to EUR 20, raspberries from EUR 0.08 to 0.12/kg, for slaughtered cattle in licensed abattoirs from EUR 30 to EUR 75/head.  
Duplication of the direct payment only for 2020. | Support for wine grape producers who have delivered their grapes to registered wineries, as well as wineries for transportation costs.  
Extra subsidy of 3 denars/kg for spring cabbage producers. |
<table>
<thead>
<tr>
<th>Type of policy intervention</th>
<th>Montenegro</th>
<th>Serbia</th>
<th>Bosnia and Herzegovina</th>
<th>Kosovo*</th>
<th>North Macedonia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credits</td>
<td>Deferment of loan repayments to banks, microcredit institutions, and the Investment Development Fund (IDF) for 90 days upon request.</td>
<td></td>
<td>Guarantees for bank loans up to 50-70 percent of the principal.</td>
<td>Subsidising part of the interest on the loan, for investments in agricultural inputs, machinery, and equipment.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Favourable IDF credit line for agriculture and fisheries; Interest subsidies for the new IDF credit line intended for agriculture and fisheries.</td>
<td></td>
<td>Subsidies for the part of the interest on loans for investments in agricultural inputs, machinery and equipment.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural investments</td>
<td>The deadline for submitting applications for support through the IPARD call for primary production is extended.</td>
<td></td>
<td>The deadline for submitting applications for support through the IPARD call for primary production is extended.</td>
<td></td>
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</tr>
<tr>
<td>Country specific measures</td>
<td>One-time assistance to commercial fishers, holders of commercial fishing licenses. Support for the payment of contributions to insured persons on the basis of agricultural activities.</td>
<td></td>
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</tr>
</tbody>
</table>

Source: Authors’ elaboration based on national reports.
Chapter 4.

Impact on the agrifood sector

The demand for food during the first wave of the pandemic increased notably, mainly due to uncertainty, but consumers did not panic. The food supply chain endured as farmers, food processors, importers, and retailers ensured a regular supply to the markets, despite the challenges. Farmers carried out normal husbandry practices, such as spring sowing and harvesting of seasonal products. Traders continued to import despite numerous problems in transportation and with border crossings. Retailers kept stores open and stocked, and sold food while accepting production regulations for wholesale and retail margins (in countries/territories where this measure was introduced). Consumers were moderate in building food stocks, so increased purchases at the beginning of the pandemic were not critical in terms of physical food availability. Authorities did what they could to make it easier for farmers to produce agricultural products, and for traders to import and sell food. Food supply chains showed resilience, and a food crisis was averted.

Input supply

Agriculture in most Western Balkan countries/territories depends on the import of farm inputs, so disruptions in international and national trade could affect the volume of agricultural production. However, most imported inputs for the spring sowing season were already available and distributed for sale before the start of the pandemic – that is, by mid-March 2020. Taking into consideration the disruptions that took place at the border, had the pandemic started a few months earlier, problems with the timely provision of farm inputs for the spring/summer season would have been significant.

During the restrictions imposed on retail stores in the lockdown phase, specialised shops for the supply of seeds, fertilizers, pesticides, and so on, were exempted from COVID restrictions, so farmers were able to make the necessary purchases, adapting to the introduced measures of restricted movement between and within the same municipality.

In Albania, input prices remained unchanged during the lockdown, with minor exceptions due to changes in exchange rates. The prices of chemical fertilizers and concentrate-based animal feed saw a moderate increase in some districts. Diesel prices fell due to reduced demand and a drop in world crude-oil prices. There were enough production inputs available in Bosnia and Herzegovina, partly because farm inputs had previously been imported, and partly because the transportation of strategic goods was not interrupted. A substantial distribution of seeds took place, including sowing packages that were prepared in organized import strategies. Trade margins for fuels and inputs for agriculture were limited by legislation, so there was no speculation on prices, although distributors could proportionally increase prices if import prices increased. There were no problems with securing access to labour because this depended on local hiring. In Kosovo* inputs were imported on time, before the pandemic began, so there were no major problems with distribution. Input prices saw small fluctuations. No significant disruptions in the supply of inputs for agriculture were evident in Montenegro during the pandemic, though imports experienced small delays. Most of the seeds needed for spring sowing were imported before transport restrictions were imposed. Global fertil-
izer availability was not compromised, although local disruptions occurred due to transport difficulties. Montenegro imports pesticides, mostly from China, and despite initial concerns, there were no major supply problems. Montenegro faced reduced availability of seasonal workers for planting and harvesting of fruit and vegetables, particularly in the wine sector, which is dominated by a workforce from Albania and North Macedonia. In North Macedonia, the pandemic did not cause an increase in farm inputs prices. On the contrary, it seems that the price index for Input 1 (goods currently consumed in agriculture) decreased by 10 percent, while the price index for Input 2 (investment in agriculture) was unchanged from the previous year. North Macedonia had problems with the seasonal agricultural workforce coming from Albania, whose movement was restricted during the pandemic. There was no shortage of seeds in Serbia for the spring season because retailers had sufficient stocks. The same applied to fertilizers, pesticides and other raw materials, including imported items. The inputs were mainly distributed within the network of local retail shops before restrictions of movement took place. An innovative approach to disruptions was the delivery of seeds to a home address using Serbia’s national postal service. The production of forage and nutritional supplements was stable and met expected needs. There was no significant increase in input prices, except for animal feed. In Serbia, the price of fuel was lower than in the spring of 2019, but with a smaller price reduction than in other Western Balkan countries/territories.

Data on farm inputs and service prices, on a quarterly basis, could only be analysed for Bosnia and Herzegovina, Kosovo*, and Serbia, and only for the first two quarters. For Albania, Montenegro, and North Macedonia, these data were not available at all or were not available in the same format. Based on input price data for these three locations, it can be concluded that the pandemic did not cause an increase in the prices of farm inputs. The price of animal feed increased the most, but that had already started in the first quarter, so the increase cannot be attributed only to the pandemic. On the other hand, there was a reduction in fuel prices by 7 percent to 20 percent compared with the previous year in all cases. Seeds were cheaper in Serbia and Kosovo*, and slightly more expensive in Bosnia and Herzegovina. Fertilizer was cheaper only in Kosovo*. Pesticides were also cheaper, more so in Serbia, and somewhat less in Bosnia and Herzegovina. The prices of services and other agricultural goods remained at the previous year’s level.

Table 3. Trends in farm inputs prices in the first and second quarter of 2020 in Western Balkan countries/territories (BiH data is only for territories in Republic of Srpska).

<table>
<thead>
<tr>
<th>Type of commodity/service</th>
<th>BiH</th>
<th>XK</th>
<th>RS</th>
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<tbody>
<tr>
<td></td>
<td>Q1 2020</td>
<td>Q2 2020</td>
<td>Q1 2020</td>
</tr>
<tr>
<td>1 Seeds and planting stocks</td>
<td>103.8</td>
<td>103.8</td>
<td>85.3</td>
</tr>
<tr>
<td>2 Energy and lubricants</td>
<td>97.9</td>
<td>77.9</td>
<td>103.4</td>
</tr>
<tr>
<td>3 Fertilizers and soil improvers</td>
<td>104.3</td>
<td>100.9</td>
<td>87.4</td>
</tr>
<tr>
<td>4 Plant protection products</td>
<td>100.0</td>
<td>98.1</td>
<td>104.1</td>
</tr>
<tr>
<td>5 Veterinary expenses</td>
<td>103.4</td>
<td>103.4</td>
<td>98.6</td>
</tr>
<tr>
<td>6 Animal feeding stuff</td>
<td>95.3</td>
<td>102.3</td>
<td>110.1</td>
</tr>
<tr>
<td>7 Maintenance of equipment</td>
<td>101.0</td>
<td>80.3</td>
<td>100.4</td>
</tr>
<tr>
<td>8 Maintenance of buildings</td>
<td>98.8</td>
<td>98.9</td>
<td>101.0</td>
</tr>
<tr>
<td>9 Other goods and services</td>
<td>100</td>
<td>100.2</td>
<td>n/a</td>
</tr>
<tr>
<td>10 Machinery</td>
<td>99.9</td>
<td>99.8</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Source: Data provided by experts responsible for national reports (Vaško, 2020; Hyseni; 2020 Bogdanov, 2020).
Production

Reports on sown and harvested areas, and especially realised yields, were not available at the time of finalization of the synthesis report, so no conclusions could be drawn on sown area based on official data. Nevertheless, based on expert estimates or data from ministries of agriculture, no decrease in sown area was observed in 2020. On the contrary, there is evidence that Bosnia and Herzegovina, and Serbia, planted more crops, and Albania maintained the same planting area of the previous year. It appears that production and yields were mainly affected by weather conditions rather than COVID-19, and the weather in 2020 was generally favourable for crop growth. There is even the possibility that yields in 2020 will be above average – plenty of rain fell in the summer, which is crucial because only small crop areas are irrigated.

In Albania, the sown area was almost identical to that of the previous year, with variations in the proportion of individual crops sown, which is not a consequence of the influence of COVID-19, but rather a response to relative agricultural product price – for example, less wheat, and more vegetable and medical plants. Average yields were expected to be similar to those of previous years. In Bosnia and Herzegovina, an additional 20,000 ha of crops were sown in 2020, which is 7 percent more than in the previous year, and 5 percent more than in 2018. The increase may be due to the free distribution of vegetable seeds, and subsidised corn and soybean seeds in territories in the Republic of Srpska. Unfortunately, no data are available for Kosovo*, neither official nor estimates. Montenegro also has no official data on the areas sown in 2020. However, increased subsidies (22 percent) point to an expansion of vegetable and feed crops. There is also no official data on sown areas in North Macedonia, but experts estimate it to be the same or slightly less than in previous years, and consistent with the multi-year trend. It is estimated that 2 percent to 5 percent more grain and industrial plants were sown in Serbia than a year earlier. Basically, the reason for the reduction in sowing of certain crops (such as rape seed) was not COVID-19, but market fundamentals.

Due to insufficient data for some Western Balkan countries/territories, an exact calculation of the areas sown in 2020 is not possible, but most experts estimate that COVID-19 did not negatively affect planting decisions. Moreover, weather in general was favourable for crop growth.

Apart from fruit and vegetables, most agricultural products are processed, so the analysis was extended to processed food (manufacturing of food products, beverages, and tobacco products). In this sense, the pandemic was a challenge for processors that relied on imported raw material, vis-à-vis the increase in demand for processed food. This created a temporary increase in the demand from domestic producers, but that was short-lived once trade normalised. The movement in volume of industrial production, processing industry, and within it the food industry, is analysed on the basis of real monthly indices of change in the volume of production for the period from March to September 2020.

In Albania, data on industrial production trends are available only on a quarterly basis. The output of the processing industry fell by 16 percent in the second quarter of 2020, and recovered in the third quarter to match the 2019 level. The food industry reduced in volume by about 10 percent in the second and third quarters compared with the previous year. In Bosnia and Herzegovina, the production index for the processing industry fell during March, April and May (between 14 percent and 24 percent) compared with the same months in 2019. At the same time, the food industry maintained a positive growth rate in March, and from April it also saw a decline, albeit less than the processing-industry average. In the summer months (July–September), the trend was reversed and the rate of decline in food production was higher than the rate of decline across the entire processing industry. For Kosovo* there is no data available on
the trends in industrial production in 2020. In Montenegro, the food industry saw a slightly smaller decline in production than the decline across the entire processing industry, and in August and September its production volume was slightly higher than for the same months in 2019. In North Macedonia, the processing industry recorded a sharp decline during the first months of the pandemic. As for the food industry, in March production grew by 1.2 percent compared with the previous year; in April it decreased by 4.4 percent; and in May by 12.5 percent. It recovered after June and then saw production volumes even higher than in 2019. The processing industry in Serbia was the most stable of the countries/territories studied. During the pandemic, it experienced a lower volume of production (compared with the previous year) only in April and May, by 20 percent and 10 percent respectively. The food industry in Serbia saw a decline only in April (by 11.5 percent) – for the rest of the year, production volumes matched or exceeded the figures for 2019.

Table 4. Indices of industrial production in processing and food industry in Western Balkan countries/territories, 2020.

<table>
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<tr>
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<tr>
<td>AL</td>
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<td></td>
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</tr>
<tr>
<td></td>
<td>Processing industry</td>
<td>83.9</td>
<td>100.5</td>
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<tr>
<td></td>
<td>Food industry</td>
<td>89.5</td>
<td>89.1</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>BiH</td>
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<td>101.7</td>
<td>93.9</td>
<td>86.1</td>
<td>98.0</td>
<td>89.1</td>
<td>86.7</td>
</tr>
<tr>
<td></td>
<td>Food industry</td>
<td>91.5</td>
<td>84.2</td>
<td>91.5</td>
<td>78.3</td>
<td>98.9</td>
<td>99.9</td>
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<td>XK</td>
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<tr>
<td></td>
<td>Food industry</td>
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<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
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</tr>
<tr>
<td>MN</td>
<td>Processing industry</td>
<td>n/a</td>
<td>84.2</td>
<td>91.5</td>
<td>78.3</td>
<td>98.9</td>
<td>99.9</td>
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<tr>
<td></td>
<td>Food industry</td>
<td>87.3</td>
<td>90.1</td>
<td>97.4</td>
<td>83.6</td>
<td>101.7</td>
<td>101.1</td>
</tr>
<tr>
<td>NM</td>
<td>Processing industry</td>
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<td>59.5</td>
<td>67.9</td>
<td>85.4</td>
<td>93.5</td>
<td>91.9</td>
</tr>
<tr>
<td></td>
<td>Food industry</td>
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<td>95.6</td>
<td>87.5</td>
<td>102.9</td>
<td>111.9</td>
<td>98.8</td>
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<tr>
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<td>Processing industry</td>
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<td>80.1</td>
<td>90.7</td>
<td>104.1</td>
<td>99.2</td>
<td>103.0</td>
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<tr>
<td></td>
<td>Food industry</td>
<td>100.8</td>
<td>88.5</td>
<td>99.8</td>
<td>106.3</td>
<td>102.3</td>
<td>99.5</td>
</tr>
</tbody>
</table>

Source: Data provided by experts responsible for national reports.

In all Western Balkan countries/territories, food imports decreased during the pandemic and food consumption remained relatively unchanged, or declined slightly. Nevertheless, if a gap between supply and demand existed, this must have been catered for by domestic production and stocks, because prices remained relatively unchanged (see below).
Food supply chains

The retail sector in all Western Balkan countries/territories – data for Kosovo* comes from the nominal index of retail trade – saw an increase in food sales at the beginning of the pandemic in March 2020, compared with March 2019. After households increased their stocks, the turnover of food in retail declined, especially from April. Retail food sales during the summer months approached the level of the previous year in Albania and Serbia, but were lower in Bosnia and Herzegovina, Kosovo* Montenegro, and North Macedonia. One reason for this decline could be fewer tourists. Nevertheless, the retail sector was largely able to satisfy the food needs of the population during the period studied.

Figure 2. Real indices on retail trade of food, beverages and tobacco (non-adjusted series) in Western Balkan countries/territories, 2020.

Source: Processed data provided by experts responsible for national reports.

Green markets in most Western Balkan countries/territories were temporarily closed. In Albania, about EUR 10 million of agricultural products are sold per month, and these sales did not fall during the pandemic. On the contrary, in March, April and May, turnover was higher than for the same months in 2019. In Bosnia and Herzegovina, in the second quarter of 2020, EUR 3.2 million of agricultural products were sold through green markets, in which fruit and vegetables dominated. However, the index of change in value suggests that sales were 28 percent lower than in the first quarter of 2019, because some green markets were completely closed. When they reopened, they had fewer shoppers due to voluntary movement restrictions. In Serbia, sales at green markets dropped drastically during the lockdown, and in April were only EUR 9 million compared with the usual EUR 25 million to EUR 30 million per month. The sales volume index was 87 percent in March, 34 percent in April, and saw a recovery of up to 100 percent in May compared with the same month a year previous. There are no similar data available for North Macedonia, Kosovo* or Montenegro.

The hospitality industry (hotels, restaurants, and cafes) were temporarily closed during the period studied, or had restrictions in terms of working hours and number of guests. The practice of celebrating family days, weddings and similar social events is widespread in the Western Balkans, and a significant contributor in the industry. The celebration of such events was, during the pandemic, at the beginning limited to immediate family members, and then regulated according to a certain number of attendees. Nevertheless, an increase in direct sales of agricultural and food products, online or via door-to-door delivery, was also observed. New specialised intermediaries and websites for these types of sales appeared, while those already experienced in direct sales expanded their offers and increased turnover.
**Food prices**

COVID-19 was expected to compromise the supply of food, cause panic food buying, and to result in an increase in food prices. In anticipation of this, some countries introduced administrative control of food prices and other goods at the beginning of the pandemic (Bosnia and Herzegovina, North Macedonia, Serbia). Others left prices to freely respond to market fundamentals (Albania, Kosovo*, Montenegro).

Figure 3. Trends in CPI, FBPI and FPI in Western Balkan countries/territories.

Source: Processed data provided by the participants in the REAWG responsible for national reports.
Food prices remained relatively steady, with fluctuations ranging from 2 percent to 6 percent over a seven-month period. No price volatility was observed, and food-price crises were averted. In Bosnia and Herzegovina, the CPI fell by 1 percent to 2 percent below the previous year’s level during the pandemic – probably due to declining demand and a drop in certain prices, such as fuel. The FPI was 1 percent to 2 percent higher than in the previous year – price margins for food products were limited, so that food prices could increase only if the purchase cost increased. Kosovo* had the most stable prices in the period from March to September 2020. However, food prices there too jumped by 1 percent to 3 percent (depending on the month) during the pandemic compared with the previous year. In Montenegro, during every month of the pandemic, there was a slight drop in consumer prices, by up to 1 percent compared with prices of a year previous. At the same time, the prices of food and non-alcoholic beverages were higher by between 1.3 percent and 1.9 percent compared with the same month in 2019. Since Montenegro relies heavily on food imports, this increase was largely due to a spillover effect from the world market. A moderate price increase occurred in North Macedonia during the pandemic. Starting in June, the CPI rose by up to 2 percent. Food prices started to rise after March, with the highest FPI in June (5.9 percent higher than in the previous year). In North Macedonia, food prices grew faster than other prices, with the FPI seeing higher values than the CPI. In Serbia, the CPI saw a moderate increase of up to 2 percent compared with the same month of 2019, while the FPI was 2 percent to 5 percent higher. Although the largest food producer in the Western Balkans, Serbia also saw in relative terms the largest increase in food prices during the pandemic – from March to September 2020 – especially after the termination of administrative price controls. The increase in food prices was a logical consequence of increased demand in the domestic market and increased opportunities for food exports.

The data presented above confirm that food prices rose in the first nine months of 2020. Food prices have increased from 6.0 to 6.9 percent worldwide, and in Europe by 1.9-3.4 percent, compared to the same month previous year. The increase in food prices in all Western Balkan countries was slower than its rise in the world, during the entire observed period. Until May, the increase in food prices in Western Balkan countries (except Albania) was slower than in Europe, among other things due to the administrative con-
trol of food retail margins (Bosnia and Herzegovina, North Macedonia, and Serbia), and then, while food prices in Europe fell, food prices increased in Serbia and North Macedonia, and remained relatively stable in Montenegro, Albania and Bosnia and Herzegovina.

Food prices changed only slightly in all Western Balkan countries/territories, regardless of whether price controls were imposed or markets were left unregulated.

**Foreign (international) trade**

Efforts to address COVID-19 included measures that temporarily affected trade, for example the imposition of novel regulations on transportation and temporary export restrictions. The analysis of the value of exports and imports of the first 24 chapters of Harmonised Trade Classification (HTC), which includes fresh and processed agricultural products (food for humans and animals), was chosen as the approach to determine the impact of COVID-19 on the volume of foreign trade. The analysis was performed by comparing monthly imports and exports in 2020 with 2019 over the period from March to September. Complete data were not available for North Macedonia or Serbia.

Figure 5. Import and export trends for agricultural and food products, beverages and tobacco, 2020 compared to 2019.

Source: Processed data provided by experts responsible for national reports.
In general, trade was not seriously affected by COVID-19, despite temporary episodes of trade restrictions that created a degree of anxiety among traders. In Albania, total imports steadily declined over the period, but it is unclear whether it can be attributed to restrictions on international trade rather than reduced business activity and consumption. Nevertheless, and as far as food is concerned, imports of cereals, dairy products, meat, and fruit increased significantly. Food exports, mainly fruit and vegetables, suffered a temporary shock, but rebounded after the normalization of international trade. During the period studied, food imports outstripped food exports, depending on the month, by between 27 percent and 50 percent.

In Bosnia and Herzegovina, both imports and exports decreased during the second quarter, but a recovery in foreign trade of food started in June, with exports growing faster in the summer months than in the previous year, and imports remaining at a lower level than the previous year. Aggregate food imports in Kosovo* remained relatively unchanged throughout the period. At the beginning of the pandemic, the import of grains, vegetables, live cattle, meat preparations, as well as animal and vegetable fats, increased significantly at the expense of other food products. Montenegro, of all the Western Balkan countries/territories, is largely dependent on food imports. Due to the collapse of the tourist season, it saw a significant decline in food imports during the summer months compared with the previous year (in July they were down by 42 percent, and in August by 46 percent). For the same reason, due to the decrease in domestic consumption, there was space for an increase in the export of fruit, vegetables, and preparations of meat and beverages, in June and July. Montenegro is a typical example of the link between additional food consumption in the hospitality industry and the impact of the pandemic on the reduction of that type of food consumption.

Data on foreign food trade in North Macedonia and Serbia are not available on a monthly basis by HTC chapters. However, certain aggregated data are available for all food categories on a nine-month or annual basis. Aggregated data for the first nine months of 2020 (January–September) for North Macedonia indicate that total imports fell by 13.2 percent and exports by 15.2 percent compared with the same period a year previous. In the same period, the import of food and live animals increased by 0.6 percent, while exports decreased by 3.6 percent. For beverages and tobacco, there was a large decline, both in imports (by 17.2 percent) and exports (by 6 percent). In Serbia, from January to December 2020, both the export and import of agricultural products increased compared with 2019 (by 11.6 percent and 8.9 percent respectively), as well as the share of the agrifood sector as a proportion of total trade. The trade balance of agriculture and food products in 2020 was positive (EUR 1 456 billion) and 15.5 percent higher than in 2019.

Every country and territory of the Western Balkans, apart from Serbia, recorded a deficit in the foreign trade of agricultural and food products (including beverages and cigarettes) during the pandemic – around EUR 250 million per month. This cannot be attributed solely to the pandemic, as it is consistent with a long-standing trend. Today, Serbia is the only Western Balkan country with a surplus of food of around EUR 125 million per month. Looking at individual crops, Serbia could cover the deficits of all other Western Balkan countries/territories in grain and flour. Fruit, with the exception of tropical fruit, and vegetables needs, could also be met through mutual trade among Western Balkan countries/territories.

Trade is an important contributor to national food security in the Western Balkans, and countries/territories were quick to establish “green corridors” at the border to facilitate the flow of essential goods, including food.
Food self-sufficiency

All Western Balkan countries/territories, except for Serbia, are net food importers. Most countries/territories in the Western Balkans do not assess the degree of food self-sufficiency every year. Depending on the country/territory, different data are calculated in different ways, officially published by ministries or statistical institutions, or they are ad-hoc contributions of individual researchers or organizations.

Serbia has the most detailed and up-to-date data about food self-sufficiency, and according to those data, Serbia is self-sufficient in most agricultural products. Albania has self-sufficiency in egg and tomato production, and North Macedonia in peppers and tomatoes. Bosnia and Herzegovina is self-sufficient in plums, raspberries, and trout, and in some years apples and pears, and close to self-sufficient in milk, chicken, and mutton. Kosovo* is self-sufficient only in plums, and about 80 percent self-sufficient in dairy products and several types of vegetables. Montenegro, as a touristic destination, does not have enough of any food product, except wine.

Some Western Balkan countries/territories have commodity stocks with reserves of certain key food products, but no use was made of these – mainly because the private sector managed to maintain channels for food importing and supplying the local population during the pandemic. Nevertheless, public stocks of basic food products (flour, edible oil, sugar, dairy and meat products, processed vegetables and fruit) could have been important had the pandemic occurred under different circumstances. Inputs were already in the countries/territories when lockdowns began, and the weather was favourable for crop development. For the region as a whole, shortages in certain food products may be addressed through trade between neighbouring Western Balkan countries/territories, where Serbia today plays the role of key supplier.
Chapter 5.

Rural communities and COVID-19

The information provided in national reports on the situation and problems faced by rural areas and their population during the COVID-19 pandemic is scarce and not well documented. The reason for this is that research on the economic, social and other aspects of the pandemic in the Western Balkans has bypassed rural areas, or has not paid enough attention to them.

Disaggregated data on the extent of the pandemic in rural settlements are not available for any of the countries/territories in the region. According to the national report for Serbia, in rural settlements of Serbia, many smaller towns and municipalities were without infected persons during the first wave of the pandemic. During the second wave, however, even some remote areas experienced a severe hit.

Rural areas and rural communities have remained outside of the policy radar (Bogdanov, 2020) during COVID-19, and this is true for every country/territory in the region. Despite a large rural population in Western Balkan countries/territories, as well as the high importance of agriculture in national economies, an undeveloped infrastructure and hard-to-access services, no ministry or state institution has provided measures, assistance programmes, or initiatives specifically targeting the rural population during the COVID-19 crisis. An exception to this was the support provided to remote villages to establish a system of online learning, and provide poor families with necessary equipment. Having said that, there was high solidarity among rural populations, self-organized citizens, and communities. Humanitarian assistance to older people, single-person households and others exposed to a higher risk was provided by civil society organizations, volunteers, local authorities (Kosovo*, Serbia) and the Red Cross organization, local centres for social work, village councils, and associations of pensioners (Serbia).

Access to health care, social services, and support in remote rural areas was further constrained during the first wave of the pandemic with public transport suspended. The national reports outline the different consequences of the suspension of transport. For instance, many workers living in rural areas, especially temporary employees, informal workers, and those whose job required commuting, lost their jobs (Serbia). For the same reason, access for rural populations to other services – banks, post offices, courts, health facilities, and so on – was limited during the first wave of the pandemic (Bosnia and Herzegovina).

Additional health difficulties for the rural population were caused by the lack of sufficient protective equipment such as masks, gloves, and disinfectants, a lack of doctors, and because of the distance to health facilities (Bosnia and Herzegovina, North Macedonia).
Agricultural shops in rural areas were opened during the pandemic, including food-inputs suppliers. Although most green and livestock markets in rural areas were exempted from the lockdown, some municipalities decided to close them, which resulted in reduced opportunities to sell agricultural products (Vaško, 2020). However, since these measures were temporary, it is unlikely that they seriously affected the income of rural households, at least from income-generating activities related to agriculture. It should be noted that novel internet platforms for the sale of agricultural products were developed, but most of them only advertised the products without offering a home-delivery service.

Problems with internet connections limited access for rural children and teachers to online learning platforms. For remote areas having issues with internet coverage, support was provided by the national government (Bosnia and Herzegovina, Serbia) and donors. Thus, many rural schools received computers, video monitors and TV sets, laptops, etc. Training related to agricultural production was suspended, while advisory services were partly transferred to communication by phone or email.

The impact of COVID-19 on rural areas was somewhat buffered by an increased interest in rural tourism from domestic urban dwellers. This trend was observed in all countries/territories, except for Albania, where agrotourism enterprises, particularly start-ups, were the most adversely affected by the crisis. Rural tourism facilities in Serbia saw an increase of about 500 percent in domestic demand. Domestic demand for renting houses in the countryside also increased in Bosnia and Herzegovina. In addition to a growing interest in rural tourism, real-estate agencies reported an increased interest in buying properties in rural areas (Serbia), including agricultural land (Montenegro).

A particular problem in most countries/territories was the decline in remittances, since a large number of migrants from rural areas (including seasonal workers) lost their jobs during the pandemic. However, from the point of view of agricultural production, anecdotal evidence suggests that crossborder movement restrictions resulted in an expansion of labour supply during the second quarter of 2020, an increase in the care of crops, and a growth in productivity and production of fruit and vegetables.
Conclusions and policy recommendations for building resilience in the post COVID-19 period

Conclusions

Following the outbreak of COVID-19 and its rapid spread, all Western Balkan governments quickly introduced containment measures to counter the pandemic. They adopted large-scale stimulus packages aimed to provide relief to households, safeguard jobs, and support affected businesses, particularly MSMEs. Agriculture was in general exempted from some of the most restrictive measures, including the movement of people, and fared better than other economic sectors.

The measures taken to support the agrifood sector and farmers’ welfare varied from country to country, depending on the country’s internal specific needs, priorities and objectives. In general, they aimed to provide a stable food supply, and support those particularly affected. These measures in most cases included changes in trade regimes (trade facilitation measures - establishment of green channels/corridors), exceptional market measures, and direct payments for different sub-sectors – vegetables, wine, fruit, cattle breeding, dairy, sheep breeding, goat breeding, pig breeding. Most countries/territories eased movement restrictions for farmers and agricultural workers, supported the establishment of e-commerce services, and relaxed access for farmers to state support. It is apparent that no country/territory implemented measures specifically targeted to mitigating the impact of the crisis on vulnerable and poor rural households and populations.

Most Western Balkan countries/territories depend on the import of farm inputs – such as seeds, fertilizer, pesticides, fuels – for agriculture. There were no problems in securing these inputs for spring sowing or for maintaining crops and planting, thanks to the import of inputs before the start of the pandemic, to the creation of emergency corridors for the transport of priority goods during the first wave of the pandemic, and to the free distribution of planting material by donors and governments.

Initial estimates indicate that the pandemic did not cause a reduction in arable land in 2020, and in some countries/territories it even increased. The realised yields were normal, thanks to favourable weather conditions. The food-processing industry saw a higher production volume in March, and after April its production volume returned to the levels of previous years.

In all Western Balkan countries/territories, there was an increase in retail food sales at the beginning of the pandemic (March 2020), compared with previous years. This was most likely caused by panic buying, but it was short-lived. From April 2020, turnover in retail food began to decline, which might be partly explained by a fall in demand from the hospitality industry, which was compromised by social distancing measures, and a reduction in the number of foreign tourists. There is some evidence that sales of agricultural products through green markets decreased, while sales via the internet and direct home delivery increased during the period studied.
Food prices experienced different trends, depending on the country/territory, commodity, or month, but overall they remained relatively unchanged. At the beginning of the pandemic, some countries/territories applied administrative control of food prices (Bosnia and Herzegovina, North Macedonia, Serbia), while others allowed prices to fluctuate. In general, there was a slight increase in food prices during the pandemic, especially during the first wave (by up to 5 percent). Variations in food prices were moderate, so it can be said that the pandemic was not the cause of a significant or lasting increase or decrease in food prices. The same applies to prices of food inputs, which have largely maintained their 2019 prices, although forage was relatively more expensive, and fuel cheaper.

Trade activity shifted temporarily during the period studied. Western Balkan countries/territories continued to import food during the pandemic, but a slight decline in the total value of imports was seen compared with the same period in 2019. A simultaneous decline was observed in food exports (except in Albania). From May, however, food imports and exports started to rise again. The increase in food imports was slower in countries/territories that experienced a significant drop in tourists and food consumption by the hospitality industry. The rural tourism sector in many countries/territories was affected by travel restrictions. Nevertheless, domestic demand for rural accommodation increased when the state of emergency was declared.

Adding to the existing challenges of rural people in the Western Balkans, new ones then emerged with lockdown measures, most notably with respect to public transport. Those particularly affected by movement restrictions included elderly residents, smallholders, and producers in certain sectors (early vegetables and fruit, direct sales, as well as those connected with the hospitality industry). Common to all countries/territories is that many temporary and seasonal migrant workers who lost jobs returned from abroad.

The lack of access to internet services or computer devices prevented many children in remote rural areas from participating in online learning. Community-based volunteer organizations were formed in many small towns and assisted with the distribution of meals, drugs, and other essential household needs.

Apart from Albania, governments introduced rural policy measures or changed existing regimes to support agriculture during the crisis. Measures adopted at the very beginning of the crisis were often modified, abolished, or supplemented with new ones, and targeted particularly vulnerable sectors as new evidence of ongoing assessments came to light. The key objectives of these policies were to stabilize the domestic market, and to preserve farmers’ income. No country/territory in the region faced a food crisis at any point in time, and production and market trends remained relatively unchanged. The extent to which this was due to effective policy measures, or to the response of the private sector, remains to be quantified.
Policy recommendations

Based on the findings of this research, the following recommendations are offered to policymakers for their consideration:

Policy decision-making process

1) Ministries of agriculture should develop programmes for effective emergency management, and a crisis committee should be established to coordinate activities within the region as well as between bodies and agencies at national level.

2) Information and data collection, availability and dissemination during crises need to be improved, to improve transparency and provide for better and more efficient decision making. This is equally important for policymakers at the national and local level, as well as for business decisions by the private sector.

3) Systems for a rapid assessment of public and private stocks of basic foods need to be developed. These may be pivotal to reduce market instability after unexpected import or export restrictions. At the moment, only Serbia has a system for regular monitoring of domestic food balances.

Facilitate access to markets

4) Although food supply chains showed resilience, efforts should nevertheless be made to monitor the functioning of food supply chains in emergency situations. The supply of food mainly depends on private individuals, including industrial and retail companies which the public sector (governments, local authorities, etc.) may want to support if the crisis compromises the delivery of diverse and nutritious food (through tax and credit relief and facilities, accelerated import and export procedures, exemption from restrictions on workers movements, etc.).

5) Monitor daily movements in food prices and agricultural inputs, and take measures to prevent any speculation on prices, notably in cases of increased (panic-induced) demand.

6) IT and e-commerce companies should be encouraged to collaborate with farmers and other actors from the agrifood sector at large, to digitise the services of rural markets and encourage them to be part of the e-commerce economy. Special attention should be paid in their design to the needs of farmers that are reluctant to participate.

7) Support the sustainable production of specific food crops that have comparative trade advantages and diversify the sources of imports to reduce vulnerability to shocks in specific trading partners. This would foster economic growth in the region, and decrease its dependence on food imports from third countries during times of border restrictions. Achieving this goal cannot come about through short-term measures, but rather via a long-term policy of creating favourable conditions, linking the supply chain and providing financial and other types of support that strengthen research and development.

Monitor the specific needs of rural populations

8) Develop systems to monitor the needs of vulnerable groups in rural areas, so that social assistance schemes in rural areas can be adequately devised, and effectively implemented, during shocks and crises.
References


