



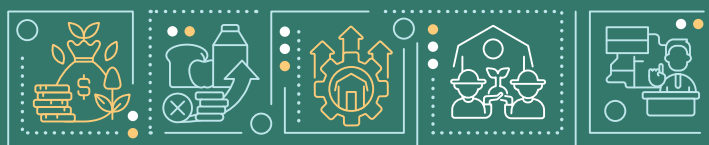
POLICY BRIEF -



AGRICULTURAL POLICY DEVELOPMENTS TOWARDS EU INTEGRATION



REPUBLIC OF SERBIA



1. INTRODUCTION

Agriculture in Serbia is a highly potential economic sector, with nearly 40% of the population residing in rural areas, operating over **500 thousand holdings** and cultivating **3.3 million ha of agricultural land**. Agriculture contributes 3.7% to the national GVA and 3.1% to the GDP (2024), though its share is gradually declining due to the growing prominence of secondary and tertiary economic sectors. The majority of Serbia's agricultural output is derived from crop production, which makes up about 70% of the total value, while livestock production accounts for roughly 30%.

As one of the few sectors in the Serbian economy that generates **a positive foreign trade balance**, agricultural and food products contribute to the total export value with 17.4% in 2024 and to the import with 9.7%. However, the export structure is less favourable, as around 60% of exports are basic agricultural products.

About 372 thousand people are employed in agriculture (13% of the total employment), but looking at it in a broader context, **over 1.1 million people¹** are engaged in agricultural holdings. Of these, 43% are women, who are holders of 23% of holdings. Age structure is concerning, since the average age of holders is 60 years, while every 11th holder is under 40 years.

As an EU candidate country, Serbia makes efforts to harmonise its agricultural, rural development, and relevant policies with the *acquis*. While moderate progress has been made, further efforts are necessary, particularly in agriculture and rural development. This policy brief examines support policy measures, identifies gaps compared to CAP interventions, and highlights the absence or underdevelopment of important policy instruments, stressing the urgent need for faster alignment with CAP 2023–2027.

The next steps should be aimed at establishing major implementation and control mechanisms, decoupling

payments, and introducing “conditionality” as essential prerequisites for the successful rollout of direct payments and other CAP interventions. Additionally, adapting the legal framework to regulate food safety will create a business and health environment conducive to efficient integration into the EU common market. Furthermore, although agricultural budget support is relatively high, it requires restructuring since nearly 90% of subsidies are currently allocated through direct payments.

2. AGRICULTURAL POLICY TRENDS

The national policy framework for agriculture and rural development in the Republic of Serbia is established by the Strategy for Agriculture and Rural Development of the Republic of Serbia for 2014-2024². This document outlines the framework, vision, strategic objectives, priority areas, and various measures and activities designed to achieve these goals, along with indicators to assess their impact. The main strategic goals, which are transposed into a legal framework, are focused on production growth and income stability, along with competitiveness improvement. Also, sustainable resource management, environmental protection and improving the quality of life in rural areas are among strategic goals.

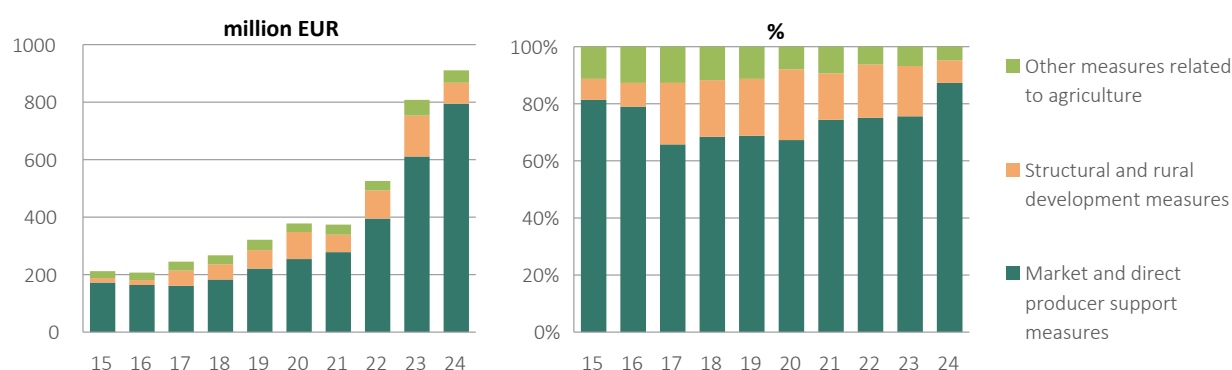
After the end of the strategic period, the drafting of the new Strategy is ongoing. Besides the recommendation from the EU Green Deal and the Green Agenda for the Western Balkans, the new Strategy will consider the future development of the European agriculture and food sector, as stated in the Vision for Agriculture and Food. In that sense, the new Strategy would focus on building an attractive, competitive, resilient, future-oriented and fair agri-food sector in Serbia, oriented toward preparedness for taking over CAP rules and principles and inclusion into the EU common market in the new strategic period (2025-2034).

The main elements of the national agricultural and rural development policies in Serbia are subsidies, implemented in the form of direct payments, rural development measures, specific subsidies, credit support, and IPARD subsidies. National support is available to registered agricultural holdings, encompassing both individual farmers and legal entities listed in the Farm Register. The primary sources of funding for policy support are the national budget and European Union funds, particularly through the IPARD program. Support measures are regulated by the Law on Subsidies in Agriculture and Rural Development³, while the instruments and mechanisms for the implementation and control are regulated by the Law on Agriculture and Rural Development⁴. Subsidies are aimed primarily at competitiveness improvement and income stability, increasing the attractiveness of the sector, which could lead to long-term growth, fostering knowledge and innovation, and providing societal benefits. Also, additional support for women and young farmers is directed to generation renewal and gender equality, leading to vibrant rural areas. Generally, the majority of funds allocated to direct producer support and rural development measures are directed to achieving stable, sustainable and fair income of holdings.

The recent establishment of *E-agrar*, a software platform overseeing the management of the Farm Register, represents a step forward in digitalisation in agriculture, facilitating the management of farm data and registration renewals, while also providing a possibility for electronic application for support. This tool streamlines these processes for farmers and enhances transparency and efficiency in application submission and processing. Further development of the LPIS and its future integration into IACS will improve digitalisation in agriculture significantly, along with fulfilling preconditions for the CAP implementation.

Total budgetary support for agriculture shows a distinctly growing trend in the period 2022-2024, reaching a **maximum of EUR 910 million** in 2024. Predominant support measures within the national policy of Serbia are direct support to farmers in the form of direct payments (per area/head and output) and input subsidies. After years of their share in total support at the level of around 70%, their share in 2024 overcame 85%. All direct payments are coupled as they are conditioned upon production. On the other side, structural and rural development measures need to be improved in terms of allocated funds and implementation, since their share in the total support is 8% only (2024).

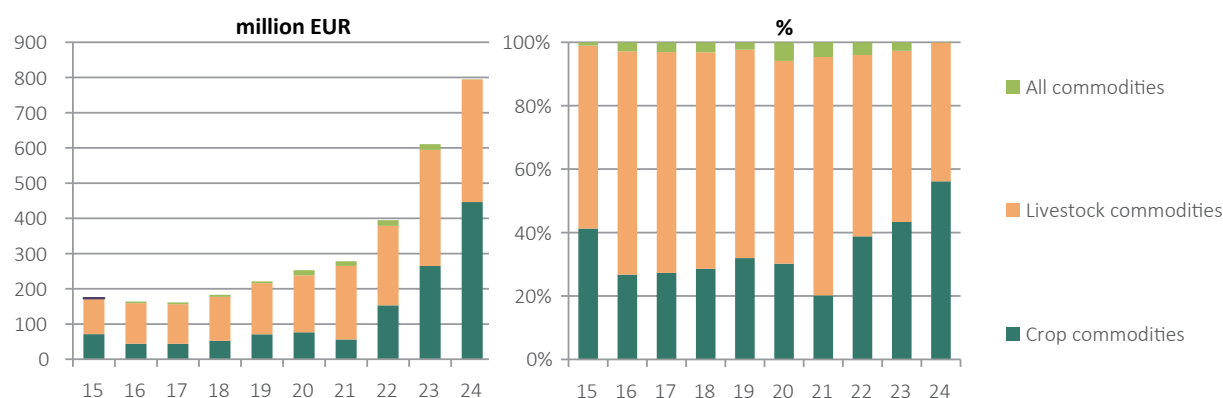
Graph 1: Total Budgetary Support for agriculture in the Republic of Serbia (mill. EUR; %); 2015-2024



Source: APMC

Considering the main sectors that have benefited from direct producer support, after years of predominant payments in the livestock sector, a recent trend towards equalisation between livestock and crop commodities has emerged, with even higher funds allocated to crop production in 2024. Given that area-based payments are predominant, subsidised mix crops are expected to be the most common for support (55% of total support), while milk and beef are the most granted within livestock commodities (33% overall).

Graph 2: Direct producer support measures by main sector (mill. EUR; %); 2015-2024



Source: APMC

Over 90% of funds for structural and rural development measures in 2024 were spent on competitiveness improvement through on-farm investment support for modernisation of holdings, keeping the long-term trend.

Adapting to an animal health situation in Europe, Serbia provides variable annual funds for food safety policy (EUR 23 million to EUR 46 million), but with a growing trend in recent years.

3. EU INTEGRATION AND AGRICULTURAL POLICY ALIGNMENT

Negotiations related to Cluster 5 – Resources, Agriculture, and Cohesion have not yet commenced for Serbia. Although Serbia has submitted negotiating positions for Chapters 13 and 33, efforts to meet the opening benchmarks for Chapter 12 are ongoing, and the Opening Benchmark Assessment Reports (OBARs) for Chapters 11 and 22 remain pending.

The harmonisation of national legislation, including aligning agricultural and rural development policies with the CAP, as well as food safety, veterinary, and phytosanitary policies, is guided by the NPAA⁵, which was revised to align with the Plan for fulfilling Serbia's key EU accession obligations by the end of 2026. Furthermore, the Action Plan for Chapter 11, which was one of the opening benchmarks, outlines the harmonisation of Serbia's agricultural policy with the CAP. Full alignment of national policies is expected **by the end of 2026**, a demanding task that involves not only legislative harmonisation but also establishing the necessary implementation tools and instruments.

Although Serbia implements some measures partially aligned with CAP schemes, the **lack of IACS** remains a major obstacle for the implementation of area-based and certain rural development measures. The absence of this tool makes it difficult to exercise administrative control of implemented measures and hinders further policy alignment, particularly concerning the decoupling of payments and introducing "conditionality" requirements. In this regard, the gradual development of LPIS and its connection to other databases can be considered as a positive policy development, directed toward establishing a functional IACS.

Beyond the need for decoupling direct payments, certain support schemes require abolition or transformation into CAP-compliant interventions. Likewise, recent extraordinary direct producer support measures, prompted by weather disasters and market disturbances, have disrupted the planned policy cycle, potentially delaying the progress of policy alignment.

Along with certain CAP-like rural development measures that have been implemented in previous periods, further harmonisation requires recognition of ANC and networking of a harmonised AKIS.

The implementation of the IPARD II Programme concluded at the end of 2024, covering four measures (M1, M3, M7 and M9) through 15 public calls. Despite EUR 175 million allocated to Serbia for the period 2014-2020 under the IPARD II and the introduction of advance payments (up to 50%) in 2023, fund utilisation remained **relatively low at 56.4%**. The IPARD III Programme foresees EUR 288 million allocated to Serbia for 2021-2027, introducing three new measures (M4, M5 and M6).

The Directorate for Agrarian Payments (DAP), responsible for implementing agricultural and rural development policies, is set to transform into a Paying Agency accredited for CAP payments once Serbia becomes an EU member. Currently, DAP is accredited as an IPARD Agency. Its administrative and IT capacities require substantial improvement – not only in staffing numbers, skills, and efficiency, but critically in developing the appropriate IT infrastructure (particularly IACS) to manage payment execution effectively.

In other policy areas, such as CMO, quality policy, organic production, and wine policy, harmonisation with the *acquis* varies, with significant gaps still to be addressed.

Although FADN in Serbia is fully aligned with the CAP methodology until the most recent reform, further adjustments are needed to transform it into the FSDN⁶, the new EU network for farm accountancy data. This transformation includes integrating additional environmental and social indicators. Thus, the transformation of the current FADN in Serbia into FSDN is required, including software and sample adjustments.

Table 1: Preparedness of Serbia in certain chapters – current state and progress in 2024

Chapter	EU progress report	Level of preparedness ⁷	Progress in 2024
11	Agriculture and Rural Development	4- some level of preparation	Limited progress
12	Food Safety, Veterinary and Phytosanitary Policy	6- moderately prepared	No progress
13	Fisheries and aquaculture	6- moderately prepared	No progress
18	Statistics	7- no major difficulties expected	Good progress

Source: API tool; Progress Report for the Republic of Serbia 2024

The level of preparedness in Chapter 11 cannot be considered satisfactory, given the stage of the negotiations and the extent of the remaining obligations, while Chapters 12 and 13 show moderate preparedness in EU harmonisation. Thanks to the last well-conducted Agricultural Census 2023, along with the progress in other statistics, Chapter 18 has made significant progress, moving closer to full compliance.

5 National Programme for the Adoption of the Acquis

6 Farm Sustainable Data Network

7 Scale 0-9

4. POLICY RECOMMENDATIONS

To accelerate Serbia's progress toward full EU membership, it is crucial **to hasten the negotiation process**, with particular emphasis on aligning national legislation within Chapters 11 and 12, as well as establishing the necessary mechanisms for the CAP implementation. Policy development should increasingly prioritise CAP, considering both the latest reforms and the anticipated policy changes planned beyond 2028. However, the Government's target to complete legislative alignment with the *acquis* by the end of 2026 may require reassessment, as this timeline appears overly ambitious. Given the remaining tasks, such a rapid pace risks overburdening an administrative system that is still underdeveloped for CAP and related policies.

In addition to legislative alignment, strengthening the Directorate for Agricultural Payments and fully establishing it as a Paying Agency must be prioritised during the pre-accession phase. This process should involve ongoing enhancement of administrative capacity. A critical element includes deploying **a fully functional IACS/LPIS** as a prerequisite for decoupling payments, introducing "conditionality" requirements, and ensuring efficient payment processing.

Considering the strong EU's focus on environmental policy aspects and the need for Serbia to adapt accordingly, national agricultural and rural development policies require a clearer orientation towards environmental protection and climate change resilience. In this regard, the gradual introduction of GAECs as the initial step toward "**conditionality**" would increase farmers' awareness and preparedness to implement sustainable agricultural, climate-related, and environmental practices. This should be complemented by comprehensive training programs for staff, advisors, inspectors, farmers and their organisations to facilitate the smooth introduction and enforcement of "conditionality." Public awareness campaigns should also actively promote these efforts. Additionally, environmental and climate policy development should encompass payment adjustments for organic farming and the rollout of eco-schemes. However, implementing environment- and climate-related policies requires the prior establishment of ANC's and proper categorisation of Natura 2000 areas.

These elements, together with knowledge transfer and innovation promotion, should form the basis for advancing rural development policies toward CAP compliance. Moreover, enhancing the **use of IPARD funds** is essential to prepare Serbia for efficient utilisation of the EAFRD in the future, benefiting both administration and farmers. Taking into account CAP and Green Deal objectives, future policies should place greater emphasis on gender mainstreaming and generational renewal.

For deeper market integration, the mutual recognition of food hygiene and safety certificates between the EU and Serbia should be broadened to include products not currently traded, while veterinary and phytosanitary standards must be fully harmonised during the pre-accession phase. Particularly, trade and non-trade barriers, which have previously been applied sporadically to manage the market in Serbia, need to be avoided going forward to ensure fair implementation of the SAA. Regarding market organisation, Serbia should develop and implement CMO instruments within the existing legal framework, including producer organisations, school schemes, price reporting, fruits and vegetables standards, carcass classifications, and other required tools.

In the field of agricultural statistics, further implementation of the **SAIO Regulation**⁸ is required, particularly concerning organic production and pesticide statistics. Additional improvements are also needed in economic accounts and agricultural price reporting. At the farm level, to enable a smooth transition from FADN to FSDN, the first step is adapting existing software to incorporate new social and environmental indicators, followed by sample enhancement and training for data collectors and farmers.

The Republic of Serbia and its agriculture have a great potential to be a significant part of the EU single market and an EU member. To achieve this goal, policymakers, administration, stakeholders and farmers in Serbia need to be more determined in their efforts on the EU path, with a proactive approach to the EU negotiations, **accepting CAP principles and the EU vision for agriculture**. Further efforts need to be aimed at efficient resource management, administrative capacity improvement, use of knowledge, digitisation, sustainable agricultural practices, and a strategic approach that should be the basis for further negotiations and approximation of the CAP.

8 Regulation (EU) 2022/2379 on Statistics on Agricultural Input and Output

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