

MEASURES OF AGRICULTURAL POLICY IN THE REPUBLIC OF SERBIA WITH EMPHASIS ON THE SITUATION IN NISAVA DISTRICT

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Abstract. *The authors give a brief overview of the situation in the implementation of agricultural policy in Serbia. They introduce us to support measures which are an important factor for maintaining agricultural production. Serbia is obliged to harmonize its agricultural policy with the common agricultural policy of the European Union CAP. This process of harmonization needs to be done now that the Republic of Serbia has become a candidate country for EU membership. In the current economic conditions, the survival of farms is threatened. A key problem is the ownership structure of farms in Serbia, which are located in small areas of land. This also represents a great fragmentation of land. It is necessary to carry out procedures of land consolidation and land redistribution in order to achieve agglomeration, which would result in an increase in the quantity and quality of agricultural production. At the end, the authors provide a study on the state of implementation of agrarian policy in the Nisava district. The aim of the research is to analyze the results of the use of agricultural policy measures.*

Key words: *agricultural policy, the Republic of Serbia, agrarian budget subsidies.*

INTRODUCTION

The market support includes pricing, support and subsidy funds to support the farms, storage of wheat and direct payments to producers (premium for wheat, industrial crops, hops and milk, direct payment to producers of wheat, soybeans certified seed incentive, bonus and livestock breeding queen bees, encouragement raising perennial plants in fruit growing, viticulture and the production of hops, lemon balm incentive to raise the basic planting material, recovery of fuel and fertilizer).

The government subsidies are assets used for compensation of producers to achieve cost-effective production done in the previous period. These funds are primarily used for further investments in raw materials and working capital. Subsidies are non-refundable

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and free resources. The funds that are not subsidies means that the agricultural system can use them at their own discretion. The state is the one that determines the production in a given year, and the wider social interest. Also state determines the amount of compensation per unit of production date and in accordance with these subsidies pays to producers for the actual production. In this way the government through subsidies and premiums artificially creates positive financial effects in certain industries. (Vasiljević Z., 2008, 76.) The countries encourage producers of the following year to found the same product through subsidies.

1. THE FUNDS FROM THE AGRICULTURAL BUDGET

If we look at what the contribution of agriculture to the formation of gross domestic product is, we can point out that the share of the agricultural budget in the Budget of the Republic of Serbia in all these years has been relatively small, and in 2009, 2010 and 2011 was extremely low (Table 1). In the period from 2004 until today, with the introduction of a registered farms system, the three crucial years for the farm subsidies can be ascertained. In 2004, the largest real agricultural budget funds were granted to only 38,000, or 4.8% of the total number of farms in Serbia. In 2008, the subsidy program was applied per hectare and livestock that had more character than social development policy, and used by around 418,000 registered farms, or 53.7% of the total number of individual farms. (Simonović Z., 2014, 177).

Table 1 Agricultural budget in the period 2004-2015 Year

Year	Republic of Serbia		
	Total expenditures and expenditures for the purchase of non-financial and financial assets	Budget of the Ministry of Agriculture, Forestry and Water Management	
		The funds from the budget	Participation in % of total expenditure RS
2004	362.045.252.000	18.059.553.000	4,99%
2005	400.767.778.000	16.269.962.000	4,06%
2006	505.820.602.000	23.593.481.000	4,66%
2007	595.517.786.100	21.410.029.000	3,60%
2008	695.959.075.793	27.634.337.342	3,97%
2009	719.854.143.000	15.964.071.000	2,22%
2010	825.884.941.052	20.572.438.000	2,69%
2011	818.344.423.000	22.033.208.000	2,45%
2012	940.157.524.000	36.600.000.000	3,90%
2013	1.067.880.560.900	39.349.382.000	3,68%
2014	1.110.120.984.547	39.358.511.000	3,54%
2015	1.082.988.184.000	41.433.438.000	3,82%

Source: Ministry of Finance and Economy of the Republic of Serbia and calculation of the authors.

In 2009, small agricultural budget subsidies were available for only 84,000 registered farms, or 10.8% of the total number of family farms. A smaller part of this small group of users consists of a subsidy for 20,000 registered farms in the so-called marginal areas. The second, larger part of this group of users of drastically reduced subsidies are only registered farms whose owners or holders of the so-called household accepted the obligation to pay

contributions for pension and disability and health insurance as well as farmers. In the period since 2012, there has been a slight increase in the agricultural budget by 1% compared to the previous period.

It is estimated that about 400,000 households located on the edge of existence and the question of how to design production in the next production year. The number of land owners to experience their fate in the coming years is difficult to predict. This situation poses a great risk for the country that fails to amortize the transitional impacts in agriculture and the countryside. It brings about the creation of new vulnerable groups of farmers that will continue to rely on social funds because they no longer have their working capital. In practice, this means that those who have a debt, but have spent dedicated funds or had an unfavorable climatic year, with the growth of the euro will not be able to repay the loans that have already been reprogrammed one or more times.

2. TYPES OF SUBSIDIES

The subsidies and incentives in the Serbian agriculture system include the following measures:

- Premiums for certain agricultural products.
- Pay for the use of biological growth factors and other production costs.

In this sense, the premiums for certain agricultural products branch continue the following segments that are subsidized:

- The production of fresh milk.
- For breeding calves.
- For fattened cattle.
- For the production of basic crops.

In order to encourage greater use of biological growth factors of agricultural production, fuller utilization of specific regional agro ecological resources and reducing total input costs in agricultural production vertical, it is necessary to provide grants for production inputs, namely:

- For high-quality varietal seed wheat and soybeans,
- Seeds of forage crops (leguminoze, grass and grass mixture)
- For high-quality varietal seed potatoes,
- For high-quality planting material of fruit crops and virus-free spools of certain varieties of grape.

The payment of subsidies of 14,000 dinars (in 2009 of 12,000 dinars) per hectare of arable land covers around 750,000 ha (in 2009, about 620,000 ha) in about 63,000 households. In this way the production of 23% (in 2009 20%) of arable land in Serbia was supported. The exact number of farms enrolled in the registry is not known as well as the exact number of farms that have achieved direct support per hectare due to the apparent lack of transparency of the Ministry.

Support for the market price of wheat was done in 2004 by purchasing of administrative prices for the purpose of forming strategic commodity reserves of the Republic Directorate for Commodity Reserves. (Popović V., Katić B., 43).

Subsidizing grain storage was planned in the amount of 750 dinars per ton of stored wheat at authorized storekeeper to surrender the quantity of generation of 2005, but up to 4 tons per hectare. (Official Gazette of the Republic of Serbia no. 60/05, 71/05.) In 2006,

subsidies were related only to the storage of wheat to natural persons who are registered holdings, provided that the wheat storing is done in case of legal entity or the entrepreneur whose business is storing wheat.

Milk producers in all the previous years were entitled to the premium which has to some extent improved their economic situation. Manufacturers of cow, sheep and goat milk were entitled to the premium provided that they meet the prescribed quality of milk that is produced in the Republic of Serbia and that it is handed over to the milk producer located in the territory of the Republic of Serbia. The premium is granted according to the latest Regulation for legal entities which have a share of at least 90% of the state capital and private persons who are holders of domestic commercial individual farms. (Official Gazette of RS, no. 7/10.)

The EU Member States, unlike Serbian producers of raw milk, are mainly owners or participate in the property's dairy industry. The state of Serbia has never recognized its mistakes in the privatization of the food industry which includes the dairy industry. In 2004, the premium of 800 million liters of cow's milk was 4 to 4.4 dinars per liter, that is 0.05 euros per liter, while in 2009 the premium for milk and coverage premium liters was significantly reduced (price premium is around 414 million liters a premium of 1.0 + 1.0 din of extra class) while in 2010 premiums amounted to 1.5 dinars / liter. After the revised budget for 2010 and providing an additional 650 million dinars, the Ministry of Agriculture announced increase in milk premiums in the fourth quarter. Also the inclusion of legal persons in the support system for milk production was announced.

In the case of state subsidies in dairy production, in particular premium per liter of milk, we can see how little attention is paid in Serbia to subsidizing milk production. Subsidies on milk production are the lowest in Serbia with 1.4 eurocents, while in Bosnia and Herzegovina they amount to 11 euro cents, while in Croatia they are 12 euro cents per liter. (Veljković, B., Vico, G., Koprivica, 2009).

The measures to protect the milk production were high in 2004, and in subsequent years measures were inadequate and non-permanent. During this period, however, there have been desirable structural changes in this branch of agriculture, among other things because the largest owner of industrial milk (Salford) was tasked to improve this production among its suppliers, primarily in the quality of milking and increase the volume of production per head, reduce number of suppliers but also maximize its own profit in order to facilitate sales. It turned out that such a policy created by the majority owner does not coincide with the interests of the state. (Simonović Z., 2014, 180).

Since 2001, the bonus has been awarded to breeding cattle and milk premiums. In 2007, they were given incentives for fattening cattle. In 2008, the support for the production of pork and fattening breeds procurement for the expansion of livestock and meat production in cattle farming was abolished. Support for the production of pork, beef and poultry meat is completely missing as this production is mainly oriented to the domestic market with the occasional import. Subsidies for cattle in 2004 (along with support for investments in the production and processing of milk and meat from 800 million dinars), amounted to about 37% of the total budget for agriculture, and in 2009 only about 7 % of budget dedicated to agriculture was allocated for livestock.

The subsidizing purchases or breeding quality cows of certain types of livestock have been practiced over a longer period of time. This facilitates the acquisition of livestock breeders or breeding this kind of cattle. Lately particular attention is paid to autochthonous species of animals and in particular to the following types: Podolian Cattle, Busha, domestic buffalo,

domestic mountain horse, Nonius, Balkan donkey, pigs mangulica (white and red strain), Moravka, Resavka stranded wire (Piroat, Krivovir, Bardoka, Lipski, Vlach Vitoroga, Karakachan) Čokansko Tsigai, Balkan goat, poultry Kaporka, Banat and Svrlijig chicken. (Official Gazette of RS, no. 15/10). The incentives that are allocated for beekeeping have been present in Serbia for several years. The right to these incentives is held by natural person's holders of farms. (Official Gazette of RS, no. 25/10).

The result of the current policy of the state in the livestock sector of Serbia, is a very low share of animal husbandry in total agricultural production value of only 30.7% (in Vojvodina only 24%), while the share of animal husbandry in the total value of agricultural production in most EU countries is over 60% . The Central Serbia has 0.33 and Vojvodina only 0.25 of conditional heads of cattle per hectare. The most extensive EU country is Greece with 0.38 livestock units per hectare and the most productive the Netherlands with 0.98 livestock units per hectare. This is best illustrated by the extensive nature of agriculture of Serbia as a whole.

The aim of incentives for planting new orchards, vineyards and plantations of hops is to improve fruit and grape production in Serbia. Unfavorable situation in orchards and vineyards is characterized by the presence of unsuitable varieties and plant diseases in orchards, as well as reducing the area under vineyards. The incentive measures should contribute to increasing the production, productivity and competitiveness. Latest decree regulates the conditions and manner of use of incentives to raise production orchards of fruit trees and berries except the production of vineyards and hops. (Official Gazette of RS, no. 24/10). It is not known why the Ministry of Agriculture in 2010 did not plan funds to support the purchase of grapevine and special needs fruit seedlings due to changes in production structures in this direction and to increase the area under orchards, although there is a regulation. The same is the case with support for implementation of the Law on public warehouses.

The program of distribution and use of funds for subsidies in agriculture, forestry and water resources is intended for reimbursement of mineral fertilizer and fuel (diesel fuel, bio diesel and euro diesel). The mineral fertilizers and fuels in terms of the last Regulation refer to raw materials. (Official Gazette of RS, no. 7/10).

The Government of Serbia, through the relevant Ministry of Agriculture, has provided interest subsidies for short-term loans to nearly 9,000 farms in the status of natural persons whereby the potential of 11 banks placed 3,345.000.000 dinars (32 million euros) in short-term loans. (Official Gazette of RS, no. 33/11 and 38/11). The credit support is designed to encourage agricultural production, the development of farming, horticulture, viticulture and vegetable production, the development of animal husbandry, for investments in agricultural machinery, credit support for investment in agricultural facilities and others. These measures are a good trend because the credit activity was relocated to commercial banks. On the other hand, the access to credit is not enabled to the majority of households that have a need for it. If one takes into account the average investment in raw materials in the production of wheat, this measure covers the investment for only about 90,000 hectares of wheat, indicating a very small value of these loans.

3. STAGES IN THE IMPLEMENTATION OF AGRARIAN POLICY OF SERBIA

Systemic and structural reforms of the agricultural sector in the Republic of Serbia started after 2000. Since then, agricultural and rural policy in Serbia has gone through several stages.

In the period 2001-2003, the scarce resources in the budget intended for agriculture did not provide enough space for more radical reforms. In support measures, significant support was given for prices for certain "strategic products" (premiums for oilseeds, sugar beet, wheat, etc.). The average share of the agricultural budget in the national budget during this period was 3.13%.

In the period 2004-2006, there have been significantly diverted obligations and mechanisms for the implementation of measures of agricultural and rural policy. A system of direct payments, then, support system, investment in rural development, which enabled: favorable loans in relation to the market, renting farmland and encouraging the registration of farms. The average share of the agricultural budget in the national budget during this period was 4.57%.

The period 2007-2009 was dominated by the system of direct payments per hectare of sowing areas, or per head of cattle, and continued to support investment in rural development and modernization of agriculture, the use of subsidized loans. The average share of the agricultural budget in the national budget during this period was 3.26%.

In 2010, the dominant model was that of direct payments and in comparison with the previous period, measures were to a large extent focused on the implementation of rural development policy. The average share of the agricultural budget in the national budget during this period was 2.26%.

For 2011, the most important elements in the reform process were: market liberalization, support for the development of agriculture by encouraging family farms and improving living conditions in rural areas, adjusting the foreign trade policy by necessary development of agriculture and processing industry, the gradual harmonization in accordance with the rules and principles of the WTO, the introduction of technological innovations in the production process, strengthening production capacity and professionalization of services in agriculture, strengthening institutional support sector modernization and reform of existing laboratories and veterinary inspection services. The average share of the agricultural budget in the national budget in 2011 amounted to 2.45%.

In the year 2012 the most important elements of agricultural policy in the reform process were: continued support for the development of agriculture by encouraging family farms and improving living conditions in rural areas, adjusting the foreign trade policy by necessary development of agriculture and processing industry, the gradual harmonization in accordance with the rules and principles of the WTO, strengthening production capacity and professionalization of services in agriculture, strengthening institutional support to the sector by increasing the number of employees in professional advisory services in the field, as well as the modernization of existing laboratories, inspection and veterinary services. The system of incentives for the first time included both natural and legal persons.

It was envisaged that the design of agricultural policy for 2013 would be based on the full recovery of agriculture, the National Program for Agriculture was established, with its financial consolidation and affirmation of intensive production structure. All this was supposed to be implemented from the support of the agricultural budget, which in 2012 amounted to 30.6 billion and represented only 2.4 percent of the total budget of the Republic of Serbia for the year 2012.

According to the aforementioned draft law, for the purpose of the implementation of activities in the field of their competence, the budget in the amount of 39,349,382,000 dinars has been placed at the disposal of the Ministry of Agriculture, Forestry and Water Management, which makes 3.68% of the total national budget. If you include the allocation of additional revenue, the total budget amounts to 40,179,382,000 dinars, or 3.78% of the national budget. Funds intended for subsidies in agriculture amounted to 32,802,298,000 dinars, and were distributed in accordance with the Law on Incentives in Agriculture and Rural Development (draft) for agricultural production in 2013.

The incentives for agriculture are in line with the applicable Law on Agriculture and Rural Development of the Republic of Serbia (Official Gazette of RS, No. 41/09). In 2013, the measures envisaged direct and structural incentives, but missed the market and institutional incentives.

In 2014 the strategy of Agriculture and Rural Development was written. The strategy is a fundamental and long-term strategic document that defines the objectives, priorities and frameworks of political and institutional reforms in the field of agriculture and rural development. In addition, this document defines a framework of budgetary support (total and by pillars rate), which clearly reflects the commitment of the new development strategy. This document will establish the foundations of a new agricultural policy, defined in accordance with the principles of modern management of public policies and in line with the clear commitment of the Ministry of Agriculture and Environmental Protection for the gradual takeover of the European model of agriculture support. All this means that this document defines the status of agriculture, which should be: economically profitable, market-oriented and attractive for farmers and agricultural companies that are engaged in this activity for purely economic - profit reasons, leaving the other competent authorities to deal with social policy at the village and for a period not shorter than 10 years (following the Law on agriculture and rural development from 2009).

We believe that in 2015 there came in some way a missed opportunity to increase agricultural production at a rate of about two percent. It had been possible with the use of appropriate agricultural policy measures, primarily by increasing the agricultural budget funds, the Fund for developments banks - the fund for the development of agriculture in the model with the Agrobank, funds for the development of republics and provinces and local governments, business banking and other domestic and foreign financial institutions.

Distribution and use of funds of the National Budget for 2016 should be regulated by the Law on Budget of the Republic of Serbia for the year 2016.

4. RESULTS OF THE AGRARIAN POLICY IN THE NISAVA DISTRICT

In order to show the status of the application of agricultural policy in the Nisava district we have done the research. The aim of the research is to analyze the results of the application of the concept of the usage of agricultural policy in the transition process. For this survey prepared a special questionnaire.

According to the state from 2012, the Nisava district has 31,709 farms. The poll surveyed 159 owners of farms, or 0.5% of the total number of farms in the Nisava district.

The author filled a good number of questionnaires himself on the field. While completing, he led a discussion with the persons surveyed and became acquainted with the state instruments of labor, buildings, orchards, etc. That is to say, that in addition to polling methods, there were somewhat present interview methods too (interview as a method of direct observation and insight into the farm).

5. ISSUES RELATED TO THE IMPLEMENTATION OF AGRICULTURAL POLICY

As shown in Table 2, it can be concluded that one-third of the respondents have very little or no knowledge of any of the measures of the Ministry of Agriculture and incentive funds that are committed to agricultural production.

Table 2 Awareness of agricultural holdings on granting incentives

Answers of respondents	No poll	Participation in %
A lot of is known	36	22,64
Moderate	67	42,14
Little	48	30,19
It is not known	8	5,03
In total n=159	159	100,0

Source: Calculation of the authors based on survey

Almost half of the respondents used the support programs of the Ministry of Agriculture.

Table 3 Users of the measures of the Ministry of Agriculture in 2012

Answers of respondents	No poll	Participation in %
Yes	69	43,40
No	88	55,35
No answer	2	1,26
In total n=159	159	100,0

Source: Calculation of the authors based on survey

The percentage structure only applies to users of agricultural policy measures which are less than 50% of respondents. As can be seen, the number of those satisfied is different.

Table 4 Are you satisfied with the support you receive from the Ministry?

Answers of respondents	No poll	Participation in %
Yes	20	12,58
No	17	10,69
Indifferent	32	20,13
No answer	90	56,60
In total n=159	159	100,0

Source: Calculation of the authors based on survey

More than half of the holdings owners think that the State has bad attitude towards farmers.

Table 5 Awareness of agricultural holdings on granting incentives

Answers of respondents	No poll	Participation in %
Very bad	35	22,15
Bad	57	36,08
Neither good nor bad	48	30,38
Satisfactory	17	10,76
Good	1	0,63
In total n=159	159	100,0

Source: Calculation of the authors based on survey

Over 90% of respondents included suggestions on the questionnaire.

Table 6 Do you have any suggestions or proposals to the Ministry of Agriculture in the future direction and encouragement of agriculture?

Answers of respondents	Participation in %
Wrote	91,82
Did not write	8,18
In total n=159	100,0

Source: Calculation of the authors based on survey

Cognitive process takes place mainly through television and newspapers, although the internet is also not negligible, or even all three sources of information.

Table 7 How are you coming to the knowledge of the measures of the Ministry of Agriculture?

Answers of respondents	No poll	Participation in %
Press	7	4,49
TV	35	22,44
Internet	12	7,69
Press and internet	45	28,85
TV and internet	20	12,82
Press and internet	1	0,64
All three sources	36	23,08
In total n=159	159	100,0

Source: Calculation of the authors based on survey

Reformed agricultural policy with the implementation of technical - technological and ecological standards in the agricultural sector of a country should be able to form the current models of agricultural producers and entrepreneurs, which would be equal to the agrarian entrepreneurs in the European Union.

CONCLUSION

In the early nineties a series of documents were adopted, intending to reform agricultural policy. Agricultural policy in Serbia, on the basis of these documents, was designed on the principle of the market economy. Defined as a set of long-term directions and goals of

agricultural development, structural, ownership and organizational change, the mechanism of stabilization and market management introduced the institution of the agricultural budget, and defined the role of commodity reserves in the system of market economy and so on. It is defined by society's attitude towards the agricultural farms as businesses. It was stressed that agricultural farms were the basic operators of agricultural development. It completed the delimitation size of their holdings and opened the process of their transformation into commodity producers, and begun the process of creating large farms.

At the beginning of the 21st century there has been a changing agricultural policy and its adaptation to European standards. Unfortunately, these changes are not accompanied by the appropriate agrarian legislation, serious investment and finance. A frequent problem is the phenomenon of dissatisfaction with the increasing number of agricultural stakeholders, institutions, and many other subjects. The concept of sustainable agriculture has not been reached yet. This brings about the fact that the reform of agricultural policy has not yet yielded some results. One gets the impression that the main feature of the reform of agricultural policy in the period from 2000 to 2015 was its unpredictability and inconsistency.

Serbia is currently in the implementation phase of the process of harmonization of schemes and incentives to the requirements of the EU Agriculture and the WTO. These requirements relate to the reduction in payments under the volume of production, such as the premium for milk, and reduction of export subsidies. On the other hand, Serbia used the pre-accession period for the retention of certain measures, which directly affects the growth of productivity and the reduction of untreated surface (subsidizing inputs). Achievements of this harmonization are generally not sufficiently visible, bearing in mind that the level of overall support in Serbia is much lower than the corresponding one in the EU.

Finally, if Serbia wants to increase productivity and foster the growth of the agricultural sector, they need to align the goals of their agricultural policy with the objectives of the CAP. Primarily, it is necessary to harmonize domestic legislation with EU legislation. Given that it is not enough just to have adequate legislation, the next step is the formation of effective institutions and the provision of financial resources for the implementation of measures and programs CAP. The key problems of the possession structure of households in Serbia are that they have a small area of land and fragmentation of plot. It is necessary to carry out procedures of land consolidation and land redistribution in order to achieve agglomeration, which would result in an increase in the quantity and quality of agricultural production.

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PRIMENA MERA AGRARNE POLITIKE U REPUBLICI SRBIJI SA OSVRTOM NA STANJE U NIŠAVSKOM OKRUGU

Autori u radu daju kratak prikaz stanja u primeni agrarne politike u Srbiji. Upoznaju nas sa merama podrške koje predstavljaju važan faktor za održavanje poljoprivredne proizvodnje. Srbija se nalazi u obavezi da harmonizuje svoju agrarnu politiku sa Zajedničkom agrarnom politikom ZAP Evropske unije. Taj postupak harmonizacije je potrebno uraditi sada kada je Republika Srbija postala zemlja kandidat za članstvo u EU. U postojećim uslovima privređivanja opstanak poljoprivrednih gazdinstava je ugrožen. Ključni problem predstavlja posedovna struktura gazdinstava u Srbiji koja se nalaze na malim površinama zemljišta. Takođe je zastupljena i velika usitnjenost parcela. Neophodno je sprovesti postupke komasacije i arondacije u cilju ukрупnjavanja poseda, što bi rezultiralo povećanjem kvantiteta i kvaliteta poljoprivredne proizvodnje. Na kraju rada autori daju istraživanje o stanju primene agrarne politike u Nišavskom okrugu. Cilj istraživanja je da se sagledaju rezultati korišćenja mera agrarne politike.

Ključne reči: *agrarna politika, Republika Srbija, agrarni budžet, subvencije.*