

POLICY BRIEF

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The future of wheat farming in Vojvodina

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The H2020 SUFISA PROJECT has addressed some of the crucial problems facing the wheat sector in Northern Serbia (The Region of Vojvodina), namely: achieving stable quantity and quality, price risk management and farm income, fixed and variable costs of farmers, food chain structure, production reorientation and crowding out of marginal producers. Results presented in this policy brief rely on interviews with experts, focus groups discussions and workshops with stakeholders conducted between May 2016 and September 2018. The analysis pairs essential topics/categories with requested strategies using “bottom-up” and “top-down” approaches. Some of the identified activities can be done by the producers themselves, while others require broader institutional support.

It seems that the risks presented in the sector are of primary concern to wheat producers. For example, when discussing strategies to overcome risks, stakeholders are mainly concerned with their everyday practices. Farmers think about different activities that they can do during the production process that will ensure a better market position. As they cannot control the price, they are considering ways in which they could affect reduction of costs (total and per unit of production). The key messages are connected with the main issues that have arisen out of the research. Particular attention is paid to potential policy implications that will shape the future of the wheat sector in Vojvodina.

Key messages

- Farmers use wheat as the only winter crop that plays a significant role in the sowing structure for crop rotation purposes. Furthermore, farmers are prone to using traditional instruments in risk insurance - product differentiation based on quality standards (higher quality of wheat should reflect higher price) and farm income diversification (larger producers integrate pre-harvesting and post-harvesting services, while others think about additional activities in rural economy using opportunity for part-time farming). There is also a need to improve instruments related to farms financial stability and price risk control. These types of improvements are usually connected with broader reforms such as the adaptation of the new financial legislative, the new institution's establishment (financial contracts and hedging instruments) and education of stakeholders.



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- Policymakers should think about the potential uses of digital agriculture, based on IT implementation, and improvement of decision-making processes based on big data analysis. There are excellent examples given by The Research Institute BIOSENSE and the Institute “Mihajlo Pupin” in cooperation with The Institute of Agricultural Economics Belgrade in delivering innovative solutions for farmers, regardless of their farm size. Farmers can easily access important information about the state of their crops, prices, weather forecasts at micro-locations, input use, and optimisation. Access and use of this kind of data can enable sustainability in a globally competitive environment. The community benefits are seen through better product quality, health and environmental protection.
- Warehousing, warehouse receipts and pre-harvest financing can also support farmers. Majority of small farms will experience immediate relief when such measures are pursued. As for larger farms and their capacities, these measures could assist in unlocking their investment potential. Additionally, establishing practices that enable farmers and their businesses to be less risk-dependent supports structural sectoral adjustments within the accession period.
- In terms of specific factor markets, the banks decisions on lending are based on the client’s risk assessments including the “ability and willingness” to repay. The problem often arises when family farms apply for credit as they are not obliged to keep business records. This significantly complicates the process. In order to support mechanisms of lending the Ministry should make additional efforts to encourage banks to lend to the sector.
- The land-lease market in Serbia is currently more important than the land-sales market due to a lack of the proper legislative framework for the latter. The lease market is characterised by insecure property rights and a relatively high lease tax rate that result in many lease transactions not being officially reported. Due to unstable conditions, land-lease contracts are often short-term, without any potentials for mid-term investments, both in land quality or development of farm infrastructure.
- Generally, the activities should be governed toward following goals (otherwise farmers will ask themselves is it worth to continue farming or what are other major business alternatives):
 - To control (or adjust to) weather risks
 - To improve productivity and control of chemical use
 - To improvement management/ market skills
 - To implement higher standards in production
 - To guarantee standards
 - To control price risk
 - To address other sources of income
 - To address public health and environmental issues
 - To control power of different market players
 - To improve dynamism

The future of the wheat farming sector in Vojvodina will be shaped both by farmers’ and policy makers’ activities. The specific and coordinated bottom-up and top-down approaches are highly recommended.

The extended summary is available at

<https://www.sufisa.eu/wp-content/uploads/2018/09/D-2.2-Serbia-Summary-wheat.pdf>



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