

POLICY BRIEF

December 2019

The future of wheat farming in Vojvodina

Zaklina Stojanovic, Bojan Ristic, Tatjana Rakonjac-Antic, Marija Koprivica

The H2020 SUFISA PROJECT has dealt with crucial problems in wheat sector in North Serbia (The Region of Vojvodina): achieving of 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 the policy brief relay 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” approach. Some of identified activities can be done by the producers themselves, while some of them require the broader institutional support. Further details are available from the Faculty of Economics website: <http://www.ekof.bg.ac.rs>, as well as the main project website: <http://www.sufisa.eu/>.

It seems that risks are primary concerns of wheat producers. For example, talking about strategies to overcome the risk, stakeholders are mainly concentrated on their everyday practices. They think about different activities that they can do during the production process to ensure 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 from the research. Particular attention is paid to potential policy implications that will shape the future of the wheat sector in Vojvodina.

Key messages

- Wheat farmers use wheat as the only winter crop that plays a significant role in the sowing structure for crop rotation purposes. Furthermore, they are prone to use 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. The 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.



УНИВЕРЗИТЕТ У БЕОГРАДУ
Економски факултет

University of Belgrade
Faculty of Economics,

T: +381 11 3021 222

dekanat@ekof.bg.ac.rs



This policy brief is the result of research conducted as part of the EC-funded SUFISA project (Sustainable finance for sustainable agriculture and fisheries), H2020 Grant Agreement 635577. Responsibility for the information and views set out in this report lies entirely with the authors.



- The policymakers should think about digital agriculture, based on IT implementation, and improvement of decision making processes based on big data analysis. The excellent examples are 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 their size. The farmers can easily reach important information about the state of their crops, prices, weather forecast at the micro-location, input use, optimisation and that can allow them to become sustainable in the global competitive environment. The community benefits are identified in better product quality, health and environment protection.
- Warehousing, warehouse receipts and pre-harvesting financing can help farmers as well. Majority of small farms will immediately be relieved when such measures take place. As for the big farms and its capacities, these measures could help to unlock their investment potential. Establishment of practices that make farmers businesses less risk-dependent additionally supports the sector structural adjustments in the accession period.
- As far as specific factor markets are concerned, the banks decisions on lending is based on the clients risk assessments and “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 lack of the proper legislative framework for the latter. The lease market is characterised by insecure property rights and a relatively high lease tax that result in many lease transactions not being officially reported. Due to unstable conditions, the land-lease contracts are often short-term and without any potentials for mid-term investments both in the land quality or development of the 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 chemicals use

 - To improve 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 competitiveness (dynamic innovation of agricultural production)

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>
