



**Securing agriculture and rural development in times of COVID-19, pathways to regional responses for recovery, reforms and resilience**

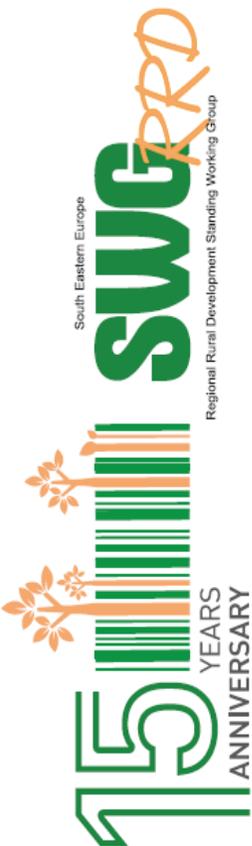
**Agricultural Policy Forum 2020, 12 – 16 October 2020**

# **MONTENEGRO**

**MIRSAD SPAHIĆ**

**Interim Meeting**

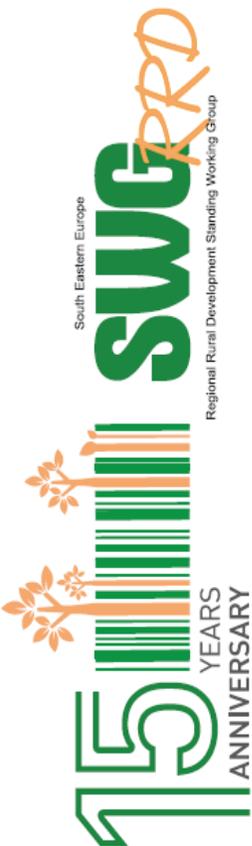
**13 OCTOBER 2020**



# Introduction



- The situation in Montenegro caused by COVID 19 in terms of health, the closure of the economy, the reduction of industrial production, has caused the most severe consequences - the total collapse of the tourist season.
- GDP is expected to fall by as much as 9% in 2020. The projections for 2021 are explained as a period of gradual recovery.
- Assuming that the pandemic will fade in the second half of 2020 and that political action taken around the world is effective in preventing corporate bankruptcies, prolonged job losses and systemic financial difficulties, the IMF projected that global growth in 2021 will rise to 5.8 percent, but that is uncertain for Montenegro.
- Preliminary estimates from the Ministry of Finance expect the fiscal deficit to rise to more than 7% of the GDP and public debt to increase by an additional 2.6 percentage points (pps.) to 82% of the GDP in 2020



# 1. COVID-19 Country context

- On March 17th, the country reported its first case of COVID-19, considerably later than most other European countries.
- As the COVID-19 pandemic began to spread in Europe in March, the Montenegrin government took swift and decisive action to combat the virus, including closing its borders, airports, seaports, schools and trivial businesses. Public gatherings are also prohibited.
- The situation is currently deteriorating and there are many new cases. Montenegro currently has 3919 patients.



# Policy Responses

Montenegro as a small country can be greatly affected by the influence of COVID 19.

Many measures have been taken to help the economy:

- businesses whose work is prohibited (100% of gross minimum wage),
- tourism sector (100% of gross minimum wage),
- endangered industries (50% of gross minimum wage),
- earnings of employees on paid leave (70% of gross minimum wage)
- earnings of employees in quarantine or isolation (70% of gross minimum wage).



# Agriculture and food policy

- When adopting all measures to combat the COVID 19 epidemic, full understanding was expressed for the needs of the agricultural sector, in order to enable agricultural work to take place in realistically possible terms in accordance with the epidemiological situation.
- In order to maintain the existing level of production and maintain market stability, both in terms of prices and in terms of quantities offered on the market of agricultural products (live animals, milk and dairy products, fruits and vegetables, etc.) and fishery and aquaculture products, and maintaining the income stability of agricultural producers and fishermen, a special Program of market interventions is adopted, in order to mitigate the consequences of the crisis caused by the coronavirus.



# Agriculture and food policy

The presented program contains the following measures:

- Withdrawal and storage of surplus agricultural products and fishery and aquaculture products, and assistance in the distribution of products by economic entities that have adequate conditions for these purposes;
- Support to agricultural producers, fishermen, fish farmers and processors due to market disruptions caused by a significant drop in prices, in order to maintain price stability and income stability; Support for the income of farmers, fishermen, fish farmers and processors due to the inability to market products, the creation of surpluses by losing the market for products that cannot be distributed or their deterioration;
- Assignment of surplus products to public institutions (hospitals, social housing centers, etc.), the Red Cross and others, with compensation to producers of 100% of the market value of these products.

Financial resources required for the implementation of the measure: € 3,000,000.00.



# Agriculture and food policy

- Advance payment of 80% of the total support for premiums per head in cattle, sheep, goat and pig breeding, and per hectare of arable land based on the payment lists from 2019 and data in the relevant registers of the Ministry
- Support for fishermen
- Support - social payments (pensions)
- Interest subsidy
- ...



# Impact on agriculture and food sector

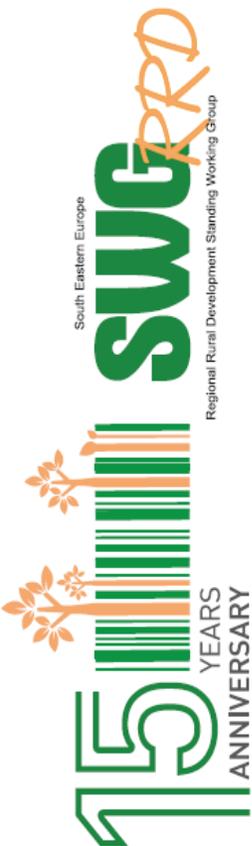
- Since the beginning of the pandemic in Montenegro, no significant disruptions in food supply have been recorded.
- As Montenegro is a net importer of food, imports came to Montenegro with small delays. Restrictions related to the export of cereals in the area were compensated through the import of wheat from France (for example).
- However, logistical challenges in supply chains, especially cross-border and domestic restrictions on movement, can lead to disruptions in food supply, especially if they remain in place in the long run. As a result of reduced fuel consumption worldwide, there has been a drop in fuel prices by about 25%, which has significantly reduced the cost of production of Montenegrin agricultural products.



# Production



- Data on utilized agricultural area and number of heads published annually by the Statistical Office - MONSTAT cannot be processed for 2020 (data will be available in mid-2021), and it is very debatable to give forecasts in the year when influence COVID 19 also stopped the work of advisory services in the field.
- According to preliminary data, the total number of cattle in 2019 was 81,432. Compared to 2018, it is lower by 2.2%. In 2019, the total number of goats was 28,754 and is lower by 1%, compared to 2018, while the total number of sheep was 182,127 and is lower by 2.6%. The number of pigs and poultry decreased in 2019, so that the number of pigs decreased by 2.4%, while the number of poultry decreased by 4.6%, compared to 2018.
- The total milk production in Montenegro (cow, sheep and goat) in 2019 amounted to 177.9 mil. l. of which the largest part is cows or 93.1%. Total milk production is lower by 2.0% compared to 2018. Production of eggs for consumption decreased by 13.1%. Used agricultural land in 2019 amounts to 257,469.6 ha, which compared to 2018 represents an increase of 0.3%. The total used agricultural land is dominated by areas of perennial meadows and pastures with a share of 94.3%, while arable land is represented by 2.8%, permanent crops 2.1% and backyards 0.8%.



# Industrial production in food manufacturing industry

Year on year monthly growth rates	<u>IV 2020</u> IV 2019	<u>V 2020</u> V 2019	<u>VI 2020</u> VI 2019	<u>VII 2020</u> VII 2019
<b>MANUFACTURING (Total)</b>	-15.8%	-8.5%	-21.7%	-1.1%
<b>Manufacture of food products</b>	-12.7%	-9.9%	-2.6%	-16.4%
<b>Manufacture of beverages</b>	-57.8%	-20.0%	-35.2%	-47.5%
<b>Manufacture of tobacco products</b>	-75%	200.0%	200.0%	102.4%

# Internal trade

- The smaller volume of tourist traffic also caused a drop in retail sales. As can be seen in Table 2, in the third month there was an increase in retail turnover by as much as 32.6%, the population is afraid of complete locks and food shortages. This was followed by a decrease in April, May, June and July compared to the same months of the previous year by 10.7%, 15.3%, 21.8% and 35.0%.

Month to month	<u>III 2020</u>	<u>IV 2020</u>	<u>V 2020</u>	<u>VI</u>	<u>VII</u>
	III 2019	IV 2019	V 2019	2020	2020
	VI	VII		2019	2019
Total turnover in retail trade	6.9%	-26.2%	-20.1%	-22.2%	-32.4%
Retail trade of food, beverages and tobacco in specialised stores	32.6%	-10.7%	-15.3%	-21.8%	-35.0%

# Foreign (international) trade

- According to preliminary data, the total foreign trade of Montenegro for the period January-July 2020 amounted to € 1,419.7 million, which indicates a decrease of 17.8% compared to the same period last year. Exports of goods had a value of 199.9 million €, and imports 1,219.8 million €. Compared to the same period last year, exports were lower by 12.5% and imports lower by 18.7%. The coverage of imports by exports amounted to 16.4% and is higher compared to the same period last year when it amounted to 15.2%.
- The total trade in agricultural products for January-July 2020 amounted to 303.3 million € and was lower by 12.8% (or 44.5 million €) compared to the same period last year. The share of agricultural products in total exports is 11.7%, and in total imports 23.07%. Imports of agricultural products for the period January-July 2020 compared to the same period last year decreased by € 44.1 million (or 14.1%), while exports increased by € 1.6 million (or 7.6%). The coverage of imports by exports was 7.9%



# Food-self-sufficiency

- When it comes to calculating food self-sufficiency in Montenegro, it is necessary to be very careful and attentive. Montenegro is a net importer of food and also a tourist destination. In 2019, a record 2.6 million tourists visited Montenegro.
- There is no official document (Green Report or similar) that has official data on food self-sufficiency.



# Rural communities and COVID-19

- In recent months, villages in Montenegro have been much more visited than before. The reasons for this are multiple. The COVID 19 pandemic revived agricultural land and increased the importance of the village.
- During the period when there was a state of emergency in Montenegro and it was not possible to leave the place of residence, the population went to the village. The advantages were manifold: there was no restricted movement on farm as in public areas in places, the revitalization of neglected country houses and a return to nature.



# Rural communities and COVID-19

- It is expected that this year will revive agricultural farms that are neglected, and that it will change the current relationship between the city and agricultural land. Also, real estate agencies have not recorded the sale of apartments for several months, however, there has been a noticeable increase in the purchase of agricultural land, and many families have bought agricultural land that costs only 1 to 2 € per m<sup>2</sup>.
- So, the COVID 19 pandemic will change the view of agricultural land, and should not expect that the problems will be smaller, but the challenges will be bigger. It is necessary to systematically support the rural area, through a higher quality of life and better accessibility.



# Conclusions

- In the situation caused by the COVID-19 virus, it was shown how important agriculture and its own food production are, for themselves, for the safety of each individual and the normal functioning of society. Montenegro, as a tourist destination and a country focused on catering and service provision, will suffer a major shock to Gross Domestic Product. Almost 70% smaller volume of tourism economy and related activities (retail, tolls), lower inflow of VAT and customs duties from imports, will deepen the already present economic crisis and high government debt.
- The main risk for Montenegro is that a prolonged pandemic, as well as a deeper recession in the European Union, could make the unfolding economic crisis difficult to handle.



# Recommendations

- In general, a favorable climate for the production of various species and varieties of plants, well-preserved nature, including high-quality, preserved and fertile soil, low levels of pollution due to poor use of mineral fertilizers and pesticides, are elements that contribute to agricultural development.
- Climate, richness of biodiversity and nature and clean environment are excellent preconditions for the development of organic agriculture. Also, the available land resources are an additional advantage along with the traditional production of typical products and the use of indigenous varieties, species and races in several sectors.
- Increased demand for agricultural products, which is a consequence of the development of tourism, gives realistic expectations for the progress of this sector. With relevant advantages and still significant shortcomings, Montenegrin agriculture has many opportunities for further development





Thank you for your attention!

