



## Agricultural Policy Forum 2021

### *Green Agenda for the Western Balkans: Commitments and Reality Check*

### Impact of COVID-19 on agriculture, food and rural areas in the Western Balkans

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# Background



- Based on **Synthesis report *Assessment of the impact of COVID-19 on agri-food systems in the Western Balkans***;
- The report was prepared by **SWG Regional Expert Advisory Working Group (REAWG)** consisted of:
  - ✓ two regional experts: Natalija Bogdanov and Željko Vaško, and
  - ✓ four national experts: Etleva Muca (Albania), Basri Hyseni (Kosovo\*), Mirsad Spahić (Montenegro) and Ljiljana Jonoski (North Macedonia).
- The report covers period **March-September 2020** (with some expectations) and it was done in two phases (March-Jun and July-September).

\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.



# The objectives of the study

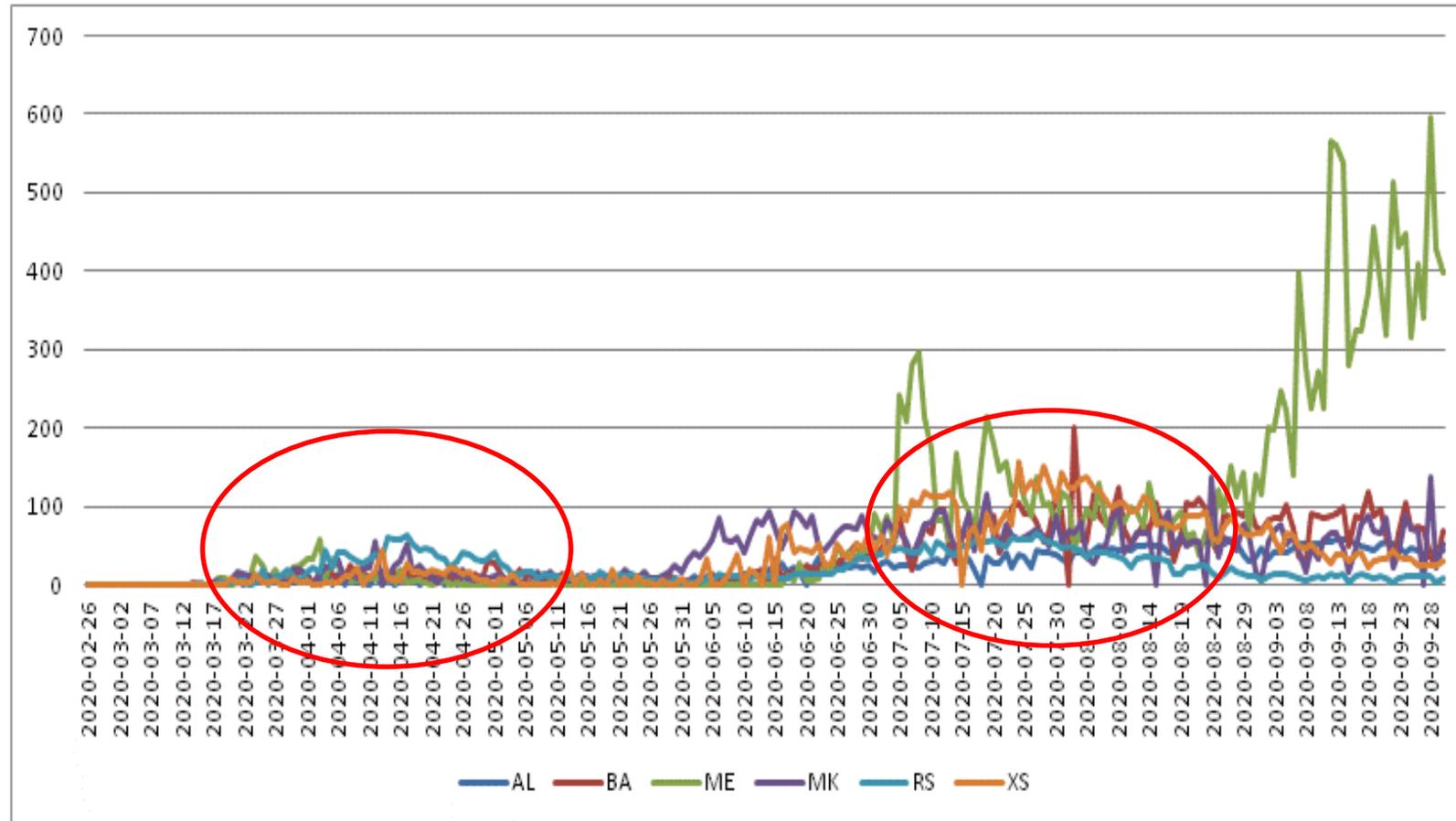
- 1) to assess the multiple impacts of COVID-19 on agriculture, food, and rural areas;
- 2) to present the key policy interventions and measures taken in response to the economic impact of the COVID-19 crisis; and
- 3) to propose respective strategic approaches and policies, as well as joint actions for overcoming the consequences, providing stimulants to accelerate the recovery and to build resilience.



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# Spread of COVID-19 virus in the Western Balkans (WHO data)



daily confirmed COVID-19 infected cases



# Impact on the agri-food sector



- All Western Balkan countries/territories, except for Serbia, are net food importers.
- Most countries/territories in the Western Balkans do not assess the degree of food self-sufficiency every year.
- **Risk of food shortages due to import interruptions!**
- The demand for food during the first wave of the pandemic increased notably, mainly due to uncertainty, but consumers did not panic.
- The food supply chain has survived as farmers, food processors, importers and retailers have maintained a regular supply to the market, despite the challenges.



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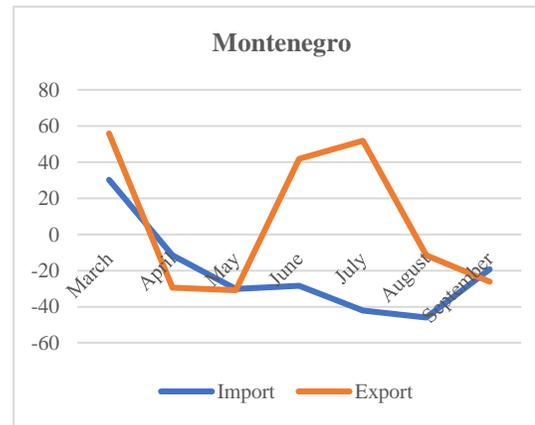
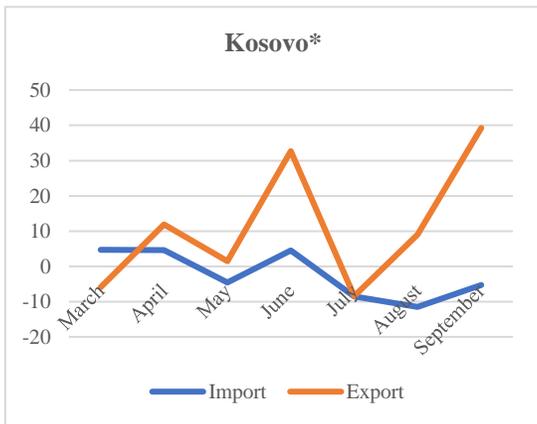
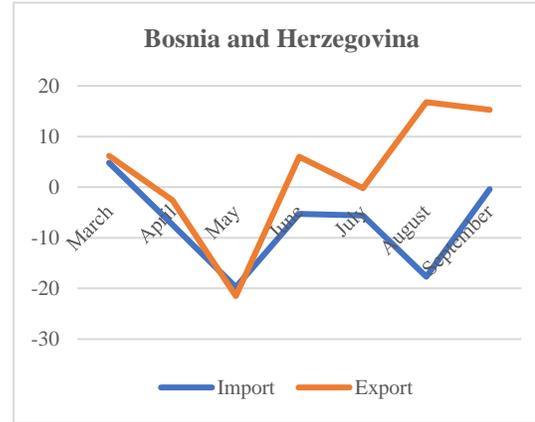
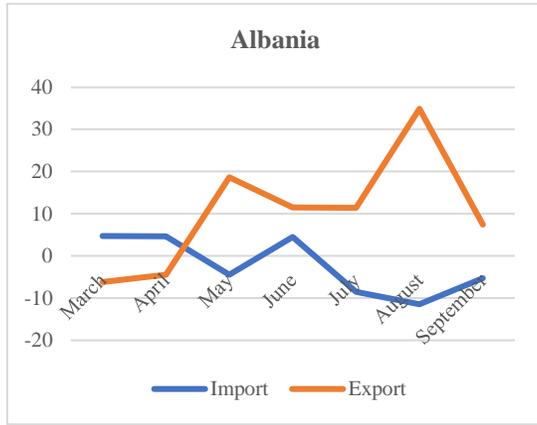
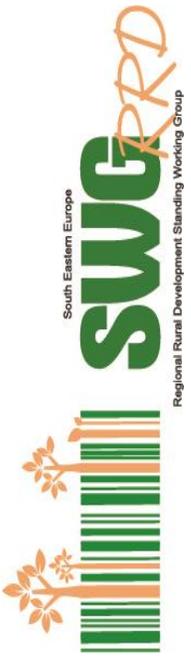


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# Import and export trends (2020/2019)

(agricultural and food products, beverages and tobacco)



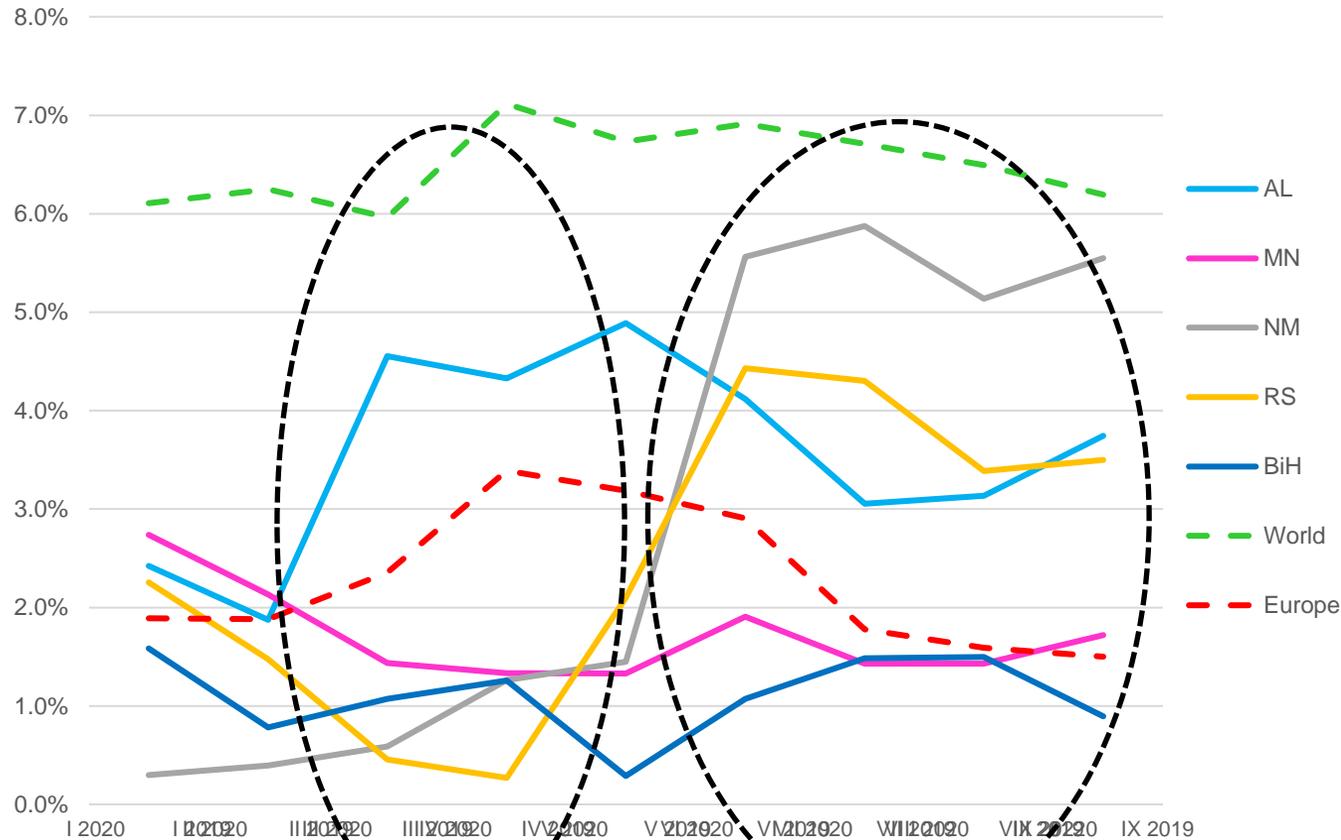
Monthly data were not available for North Macedonia and Serbia.

After the first shock due to the interruption and restrictions of international transport, foreign trade recovered, among other things, thanks to political agreements and the establishment of "green corridors".

For some products, the self-sufficiency of the WB region could be ensured through regional food exchange.



# Food price (2020/2019) (Food Price Index, FAOSTAT)



- No data for Kosovo\*.
- The administrative control of food retail margins (Bosnia and Herzegovina, North Macedonia, and Serbia) in period March-May.
- **Fluctuations in food prices are partly different from fluctuations in Europe and the World.**



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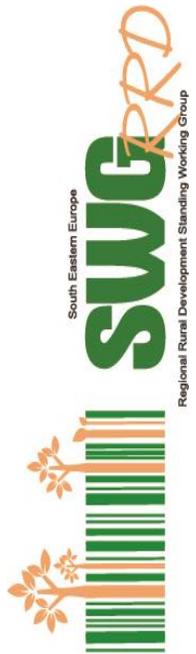


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# Food processing industry (2020/2019)

(Index of industrial production)



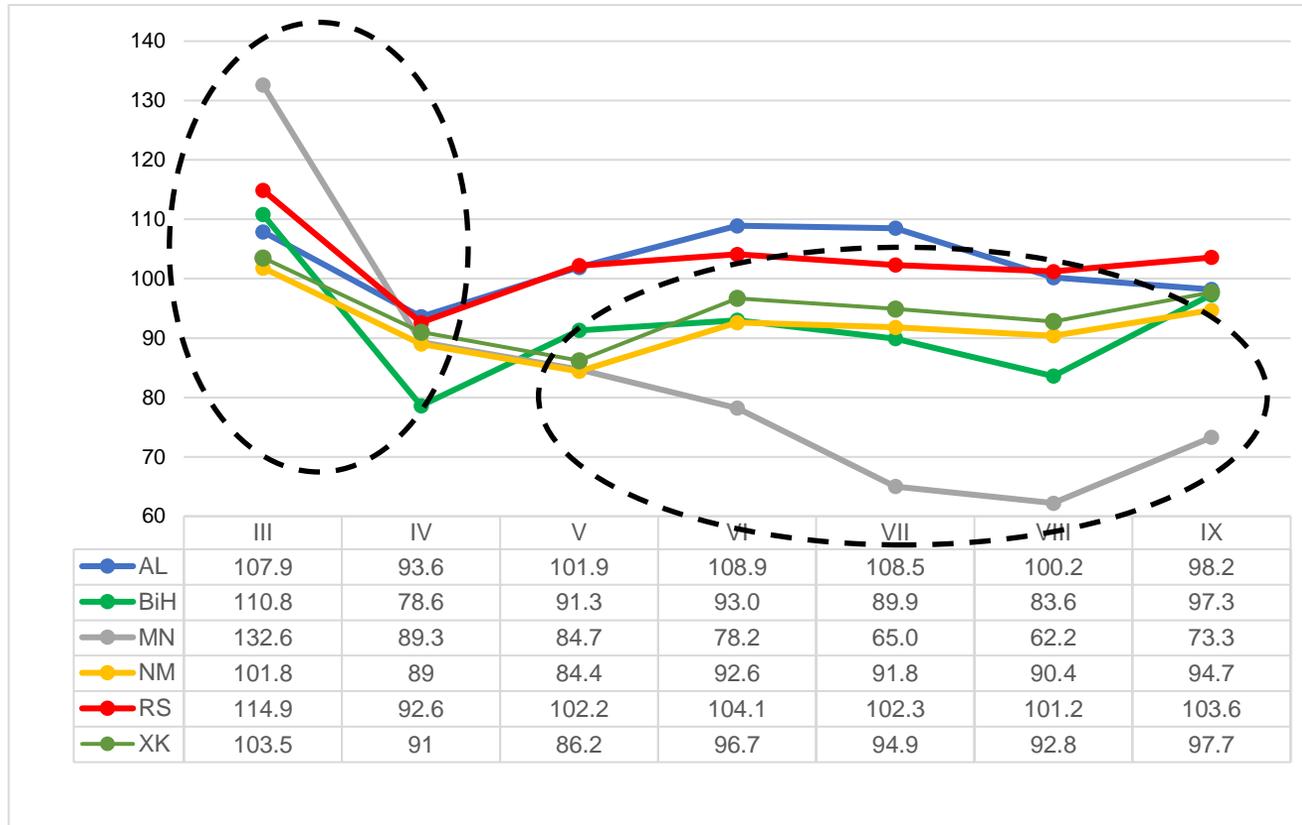
		III 2020 III 2019	IV 2020 IV 2019	V 2020 V 2019	VI 2020 VI 2019	VII 2020 VII 2019	VIII 2020 VIII 2019	IX 2020 IX 2019
AL	Processing industry			83.9			100.5	
	Food industry			89.5			89.1	
BiH	Processing industry	83.9	75.1	81.5	90.9	91.4	96.0	97.3
	Food industry	101.7	93.9	86.1	98.0	89.1	86.7	94.8
XK	Processing industry	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Food industry	n/a	n/a	n/a	n/a	n/a	n/a	n/a
MN	Processing industry	n/a	84.2	91.5	78.3	98.9	99.9	99.1
	Food industry	n/a	87.3	90.1	97.4	83.6	101.7	101.1
NM	Processing industry	85.7	59.5	67.9	85.4	93.5	91.9	98.1
	Food industry	101.2	95.6	87.5	102.9	111.9	98.8	86.4
RS	Processing industry	102.7	80.1	90.7	104.1	99.2	103.0	104.1
	Food industry	100.8	88.5	99.8	106.3	102.3	99.5	107.3



# Direct food sales

- Sales of food at green markets dropped drastically during the lockdown (Serbia, BiH), or remain stable (Albania). There were no similar data available for North Macedonia, Kosovo\* and Montenegro.
- The reasons are the ban on the sale of products through green markets (lockdown) and the voluntary abstinence of customers due to the fear of infection.
- The ban and restriction of group celebrations reduced the demand for food (weddings, funerals, family day celebrations, etc.).
- Reduced food consumption by HORECA sector.
- Sales of food by direct home delivery and online ordering have increased.

# Food retail trade (2020/2019) (real index of retail trade)



- Increase in food sales at the beginning of the pandemic.
- Reduction of food consumption in summer due to the reduced number of tourists and annual vacations of the diaspora.
- There were no interventions from state commodity reserves (which most countries do not have).
- The retail sector in WB was largely able to satisfy the food needs of the population during the observed period.

# Farm input supply

- The WB region is dependent of import of farm inputs (least Serbia).
- However, most imported inputs for the spring sowing season were already available and distributed for sale before the start of the pandemic, by mid-March 2020.
- Specialised shops for the supply of seeds, fertilizers, pesticides, and so on, were exempted from COVID caused restrictions.
- Lack and inconsistency of data on farm input prices by WB countries.
- The pandemic did not trigger an increase in the prices of farm inputs (opposite, the price of diesel has dropped significantly).

# Agricultural production



- Climate in general was favourable for crop growth in 2020.
- Due to insufficient data for some WB countries/territories, an exact calculation of the areas sown and harvested, as well as yields realized, in 2020 was not possible, but most estimates by national experts confirmed that COVID-19 did not negatively affect planting decisions.
- Methodological challenges for obtaining up-to-date data and their comparison among WB countries.
- Fear of starvation and the uncertainty of food imports due to the pandemic motivated **farmers in the Western Balkans to sow larger areas in 2020 than a year earlier.**



# Subsequent collected data

- In AL sown area by filed crops was higher by 1.1% in 2020 than in 2019.
- In BiH sown area in spring of 2020 was higher by 5.2% and in autumn of 2020 by 2.9% than in 2019.
- In XK the same area of land was cultivated in 2020 and 2019.
- In MN the same area of agricultural land was used in 2020 as in 2019, but 2% less arable land was cultivated.
- In NM 0.5% less area was cultivated in 2020 than in 2019.
- In RS in the spring of 2020, were sown 2.7% more corn, 5.3% more sugarr beet, 1.8% more soybeans and 5.7% less sunflowers than in 2019, and in the autumn were sown 1.2% more hectares than in 2019.



# Policy responses – cross sectoral (data only for period March-September 2020!)



- ***Population movement*** - the closure of borders, schools, restaurants, non-essential shops, bans on gatherings, in-country travel restrictions, curfews and more restricted movement of vulnerable groups (elderly citizens and children), less restrictive rules for essential workers and farmers.

## a) Simplified regional trade regimes:

- system of 'green corridors' initiated and coordinated by the CEFTA - simplified procedures for priority goods (since 16 April).



# Policy responses – cross sectoral (data only for period March-September 2020!)



## **b) Fiscal and financial measures (fiscal relife):**

- providing credits with simplified application procedures, relaxed eligibility criteria, and subsidised interest rates (Montenegro, North Macedonia);
- providing credit guarantees (Kosovo\*, Bosnia and Herzegovina), or both state guarantees and direct loans (Serbia);
- restructuring, reclassification and rescheduling of loan repayments (moratorium);
- postponement of various payments (corporate income and personal income taxes, VAT, social security contribution, lease payments for state-owned real estate, etc.), as well as expenditures due within the current fiscal year or longer.



# Policy responses – cross sectoral (data only for period March-September 2020!)



## c) Wage subsidies:

- reimbursement of part of the salary and/or taxes and contributions (different schemes from country to country);
- extra cash bonuses for employees in services (health, tourism, retail, ...).

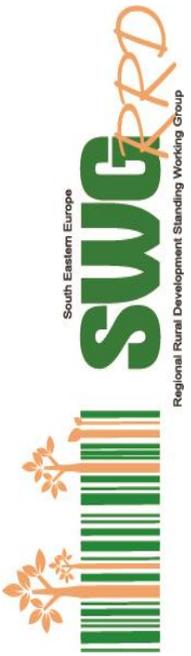
## d) Social protection measures:

- cash assistance (one-off or multiple payment) to the most vulnerable individuals and households;
- financial support to pensioners;
- new cash benefit schemes intended for the unemployed;



# Policy responses – Agriculture

(data only for period March-September 2020!)



- obscurity of national reports and inability to present overall interventions;
- variations in measures from country to country in terms of instruments used and targeted sectors or beneficiaries:
  - temporary exemption from customs duties (NM),
  - temporary export ban (RS);
  - price control on basic food commodities (BiH, NM, RS) and raw materials and fuel (BiH);
  - quantitative restrictions on the purchase of foods (BiH);



# Policy responses – Agriculture

(data only for period March-September 2020)



- support for private storage and intervention buying of surplus of agricultural products (NM, MN, RS, BiH);
- export subsidies (MN);
- public procurement of food (MN);
- extra input subsidies (BH, XS, NM);
- extra direct payment measures (BiH, XS, MN, RS);
- easier access to state aid (more flexible conditions and criteria, advance or accelerated payments);
- no new credit lines but increased interest rate subsidies (XS, MN, RS);



# Rural communities and COVID-19



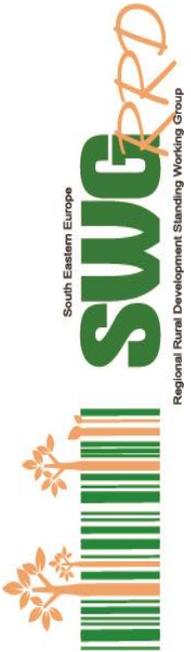
- disaggregated data on the extent of the pandemic in rural settlements were not available for any of the countries/territories in WB region;
- **COVID-19 virus, new challenge for rural population!**
- **without special attention paid to rural areas and measures specific targeted to rural areas during a pandemic;**
- isolated rural areas were less infected with the virus;
- lack of sufficient protective equipment;



# Rural communities and COVID-19



- humanitarian assistance to older people, single-person households and others exposed to a higher risk was provided by civil society organizations, volunteers, local authorities, Red Cross (XS, RS);
- suspended public transport between rural and urban areas;
- aggravate access to education (online learning and weak internet), health and public administration services;
- lack of ICT equipment in rural schools and for pupils (donations in BiH and RS);



# Rural communities and COVID-19



- temporary closure of green and livestock markets (the threat to the income of the poorest rural population);
- increasing unemployment of rural population (those who worked temporarily in the country or abroad);
- lack of seasonal workers in labor intensive agricultural sectors;
- increased interest in rural tourism and rural accommodation and interest for buying properties in rural areas;



# Conclusions

- Although WB countries depend on imports of farm inputs and food, there have been **no serious problems in import of inputs** and distribution at the beginning of pandemic.
- Initial estimates indicate that the pandemic did not cause a reduction in use of arable land in 2020, and in most countries/territories even **increased land cultivation and increased volume of agriculture production** (luckily 2020 was climatically good year).
- The food processing industry responded well to the pandemic and **increased food production** when it was most critical.

# Conclusions

- **Food import** took place under difficult conditions, but remained regular during the pandemic.
- The food retail sector acted responsibly, keeping **the market food-supplied** (among other things thanks to food imports), **without significant increase of food prices**.
- Governments and ministers introduced **extraordinary policy measures** with key objectives to stabilize the national food markets, and to preserve farmers' income.
- There were **no special support and assistance measures intended for the rural population** at risk of COVID-19 virus infection.

# Policy recommendations



1. Ministries of agriculture should **develop programmes for effective emergency management**, and a crisis committee should be established to coordinate activities within the region as well as between bodies and agencies at national level.
2. Information and **data collection, availability and dissemination** need to be improved during crises and used for better and more efficient decision making.
3. Systems for a rapid assessment of public and private stocks of basic foods need to be developed, as well as a system for regular **monitoring of national food balances**.
4. Monitor the functioning of food supply chains in emergency situations and facilitate **cooperation between private** (supply of food mainly depends on private individuals, including industrial and retail companies) **and public sector**.



# Policy recommendations

5. Monitor daily movements in food prices, and take measures to **prevent any prices speculations**, notably in cases of increased (panic-induced) demand.
6. Encourage cooperation of IT and e-commerce companies with farmers and other actors from the agri-food sector, to **digitise the services of rural markets** and encourage them to be part of the e-commerce economy.
7. Support the production of specific food crops that have comparative trade advantages. This would foster economic growth in the region, and **decrease its dependence on food imports** from third countries during times of border restrictions
8. Develop systems to monitor **the needs of vulnerable groups in rural areas**, so that **social-assistance schemes** in rural areas can be adequately devised, and effectively implemented, during shocks and crises.



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