THE IMPACT OF COVID-19 ON AGRICULTURE, FOOD AND RURAL AREAS - Republic of Serbia

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Background

The **study objective** is to provide assessment of:

- the immediate effects;
- response actions and measures taken by the authorities in charge
- the pandemic's impact on the regional agriculture, food, rural economy and jobs

- **The study's methodology** involved the collection and analysis of information from secondary sources
  - statistics, governments' and ministries' data, literature review (studies, reports, scientific papers)

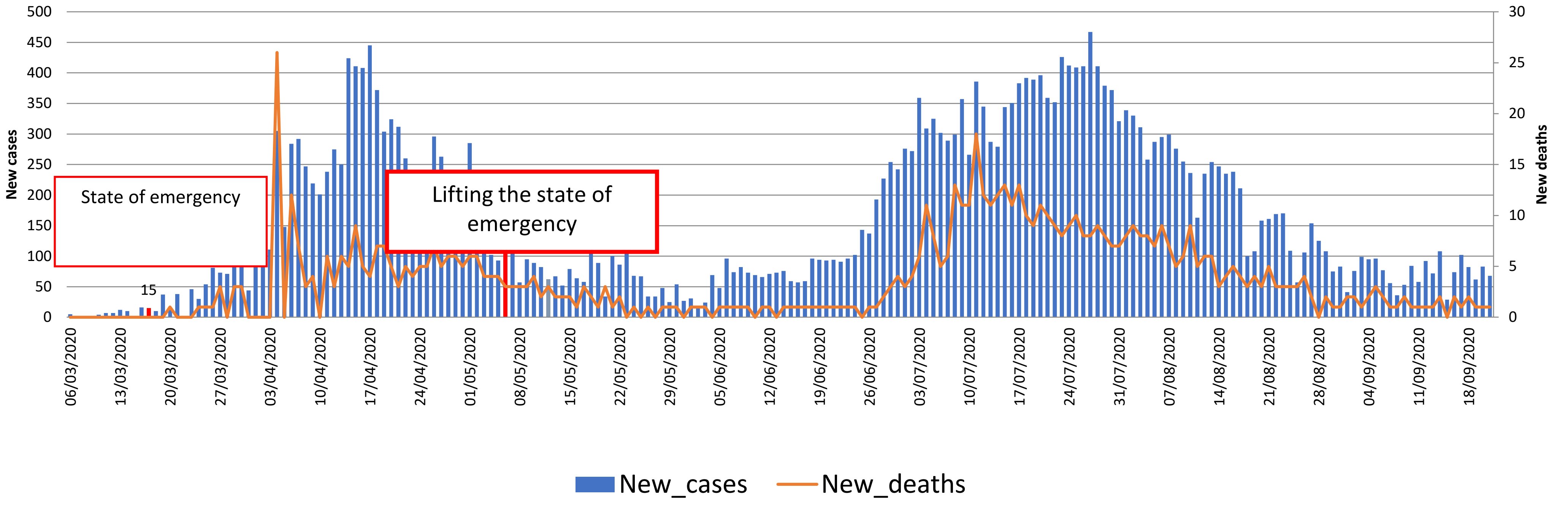
Study overview

Introduction

Methodology

1. COVID-19 Country context
2. Policy Responses
3. Impact on agriculture and food sector
4. Rural communities and COVID-19
5. Conclusions and recommendations for regional cooperation on building resilience in the post COVID 19 period

COVID-19 Country context



Serbia was among countries with the strictest measures aimed at containing the spread of COVID-19 in the world, comparing with the number of test-confirmed cases (OxCGRT)

COVID-19 Country context

Table 1. Quarterly GDP (real growth rates), compared to the same period of the previous year

	2019[1)]				2020[1)]	
	I	II	III	IV	I	II
Quarterly Gross Domestic Product (GDP)						
Gross domestic product*	2.6	2.9	4.8	6.2	5.1	**-6.4**
A. Agriculture, forestry and fishing	0.2	-0.4	-0.1	0.4	1.7	**2.2**
Use of Quarterly Gross Domestic Product, real growth rates, compared to the same period of the previous year						
Household final consumption expenditure	3.3	3.2	3.0	3.1	3.2	**-8.0**
Gross fixed capital formation	7.2	8.2	17.5	29.6	10.8	**-11.9**
Exports of goods and services	8.1	8.0	9.0	8.7	3.0	**-20.7**
Imports of goods and services	7.8	9.0	9.6	11.4	8.1	**-19.3**

- The severity of the impact of COVID-19 to the economy and society was hard
- Predictions are that in mid-term perspective effects will be less severe than first anticipated
  - projections of GDP vary across different institutions

Policy Responses

- Bans on movements and social gathering
  - various regimes; restrictive
- Monetary and fiscal measures
  - suspended loan repayments and public utility bills; paused enforced debt collection; deferred tax payments for businesses
- Employment related measures
  - direct payments for MSME in the amount of minimum net salary for each employee
- Social protection measures
  - the prices of basic goods were capped; the stimulus to every citizen of 18+, in the amount of EUR 100; extend entitlement for social benefits based on previously issued decisions
- External trade measures
  - Green corridors; the short-term export ban

Agriculture and food policy

- A variety of measures have been taken by government to decrease and/or prevent the negative social and economic impacts of Covid-19, but…
  - **… there were a very few agriculture related measures addressing farmers' income;**
  - **There were no specific measures targeting the food industry and rural population;**

Agriculture and food policy

12th – 16th OCTOBER Agricultural Policy Forum 2020

Type of policy intervention	Description	Action
Credits	**Subsidies for the part of the interest on the loan**; for investments in agricultural inputs, machinery and equipment; Both plant growers and animal farmers were eligible	Ext.
Restriction on sale on green markets	For both those in open and closed spaces	New
E-commerce	MAFWM launched the platform Electronic Market for agricultural products	
Direct payments to farmers	**Payment of financial assistance to farmers in certain sectors**; in total 10.6 mills. USD 1) 25 RSD per m2 of registered area for growing vegetables in a protected area, to a max. of 90,000 RSD; 2) 3,000 RSD per cow, to a max. of 30,000 RSD; 3) 500 RSD per sheep or goat, to a max. of 20,000 RSD; 4) 800 RSD per beehive, to a max. of 20,000 RSD.;	Ext.
	The Directorate for Agrarian Payments will pay funds to all farmers who have exercised the right to this incentive for 2020, even though they did not submit a request.	Ext.
Food price control	**Limited retail prices and margins of basic foodstuffs** Prices were limited as not to exceed the price level of these products on March 5. However, the increase in price was possible due to the increase of production price of increase of transport costs	New
Export ban	**Temporary ban on the export of basic products** (Wheat flour; Sunflower seeds, in shell; Sunflower oil, crude; Sunflower oil; White sugar) (March 14th); On March 19th Wheat flower was excluded from list; on April 9th ban on export of oil and yeast was lifted	New

Impact on agri-food sector

- **Input supply** or delivery of agricultural and food production inputs were not interrupted by COVID-19 crisis
  - The food processing industries in some regions have been affected by labour shortages due to sickness, self-isolation, movement restriction rules (closure of public transport); some employed new workers due to increased workload

- Any **changes in the volume of agricultural production** in 2020 will be the result of weather conditions during the growing season, not due to the COVIDE-19 crisis
  - Compared to ten-year average production of key crops increased
  - Manufacture of food products sharply declined in April only to return to the level of previous year in May

Impact on agri-food sector

Table : Production of key crop products

	Ha (%)		Tons (%)		Tons/ha (%)	
	2019/2018	2020/2019	2019/2018	2020/2019	2019/2018	2020/2019
Wheat	89.80	102.09	86.17	**117.28**	95.65	114.6
Maize	106.69	103.58	105.45	**.109.58**	98.70	106.28
Sunflowers	91.74	102.64	99.37	**91.15**	106.45	89.42
Soya beans	116.75	104.71	108.50	**115.12**	93.94	108.32
Sugar beet	89.36	87.96	92.51	**89.45**	103.43	101.68
Raspberries	102.63	109.33	94.53	**107.4**	92.86	98.08

Table: Indices of food, beverage and tobacco industry

	III 2020 / III 2019	IV 2020 / IV 2019	V 2020 / V 2019	VI 2020 / VI 2019	VII 2020 / VII 2019	VIII 2020 / VIII 2019
MANUFACTURING (Total)	102.7	80.1	90.7	104.1	99.2	103.0
Manufacture of food products	100.8	**88.5**	**99.8**	**106.3**	**102.3**	**99.5**
Manufacture of beverages	91.3	64.6	92.2	102.4	97.8	90.7
Manufacture of tobacco products	125.6	115.8	116.1	79.9	87,0	95.4

Food Supply Chain

- **Temporary shortages in some products** due to the compulsive purchases
  - wheat flour, sugar, baking yeast; The situation was quickly stabilized by the mobilization of stocks and reorganization of the food logistic service
- A sharp and sudden **decrease in the value of agricultural products sold via green markets**
  - Small vegetable and fruit producers were hit drastically.
  - Home delivery services
- The extensive **implications on the MSMEs in catering business**
  - many small producers and businesses oriented on direct selling were completely left without a market
  - the situation was improved with relaxation of movement restrictions, but still did not reach pre COVID- 19 level
  - new sales channels were quickly activated but they managed to achieve only a small portion of the pre-corona sales and involved only certain types of farms/producers

Internal trade

Table: Nominal indices on retail trade volume (non-adjusted series)

	III 2020 / III 2019	IV 2020 / IV 2019	V 2020 / V 2019	VI 2020 / VI 2019	VII 2020 / VII 2019	VIII 2020 / VIII 2019
Total turnover in retail trade	104.6	79.9	101.9	109.6	104.2	104.2
Retail trade of food, beverages and tobacco in specialised stores	116.4	**93.7**	**104.9**	**108.9**	**107.2**	**105.1**

Table: Indices of value of agricultural products sold on the green markets

	I 2020 / I 2019	II 2020 / II 2019	III 2020 / III 2019	IV 2020 / IV 2019	V 2020 / V 2019	VI 2020 / VI 2019
TOTAL	96.2	104.0	87.4	**34.2**	100.5	92.7
Cereals and cereal products	108.8	104.4	82.5	**35.4**	**69.2**	**80.8**
Vegetables	100.5	89.2	78.4	**26.3**	**96.3**	**82.3**
Fruit	109.9	93.2	99.6	**37.5**	**117.0**	**101.9**
Poultry and eggs	89.3	104.0	87.6	**33.3**	111.1	97.6
Milk and dairy products	97.1	99.4	74.9	**28.4**	96.0	84.2

External trade

	January–June							
	exports	imports	Share in total exports (%)		share in total imports (%)		balance	
	2020 /2019	2020 /2019	2019	2020	2019	2020	2019	2020
Total	88.9	90.9	100.0	100.0	100.0	100.0	-3286.6	-3184.2
Food and live animals	106.9	109.6	13.2	15.8	5.9	7.2	**506.1**	**520.2**
Beverages and tobacco	126.0	89.9	2.8	4.0	1.6	1.5	**67.9**	**158.6**
Animal and vegetable oils, fats and waxes	91.2	135.0	1.0	1.0	0.2	0.3	**72.5**	**55.9**

- Both the export and import of agricultural products increased (6.9%, 9.6% respectively)
- The trade balance of is positive (520.2 mill EUR) and 2.8 percent higher than in 2019.

Rural communities and COVID-19

- Many villages were hit hard by the imposed state of emergency and the **suspension of public transport**
  - Many of temporarily employed and those whose job requires commuting at night or alone lost their jobs
  - Older people relied on their neighbors’ good will to bring them groceries and other essentials, but with the lockdown measures imposed, this was no longer possible.
- Many of **temporary and seasonal migrant workers** were left without regular incomes and jobs
  - often work in sectors that are highly affected by COVID-19
- Huge and permanently **growing demand of urban residents for the accommodation and food services** in rural areas

Conclusions

- Most policy measures have taken the form of **financial support for businesses and short-term social protection measures** to support the working population
  - Very few measure are aimed at the agriculture sector
  - Rural areas and their population in COVID-19 crisis have remained out of the policy radar
- **Agri-food sector showed its resilience to crisis and market volatility,** so food supply was not at any point at risk
  - Immediate regulatory measures to prevent market risks were reasonable in given circumstances of unpredictable demand and supply chain disruptions
- **The effects on rural areas were mixed**
  - Effects of lockdown on older people; vulnerable groups; commuters; “reverse migration crisis” effects on labour market; boom of rural tourism and homestays.

Recommendations

- **Build the capacity of institutions** at sub-national and national levels to enable them to better address and mitigate crisis situations
  - Local self governmental units need more autonomy, ore tools and resources to provide efficient and effective support
  - Better horizontal and vertical coordination is needed

- **More transparency** is needed in the decision-making criteria for agricultural policy beneficiaries
  - Direct support to livestock farms vs. credits for crop farms (?)

- **More efficient system** of knowledge and information sharing system is needed
  - Disseminate accumulated experiences and knowledge with other local communities, practitioners, agencies
  - Data collection, communication and dissemination
  - **Better understanding is needed of farmers behavior in response to crisis** – include academia and research community to collect data and/or examples of good practicies

Thank you!