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SECOND SERBIAN DAIRY CONGRESS

CONCLUSIONS

Serbian Association of Milk Producers organized Second Serbian Dairy Congress, which was held on 24th October in Belgrade. The Congress was organized within the project “Public-private policy dialogue in dairy sector in Serbia”, conducted by FAO and EBRD since 2014 in Serbia.

Congress has brought together all the most important factors in the manufacturing chain of this strategic sector of Serbian agriculture: primary producers, processing companies, representatives of the Ministry of Agriculture and Environmental Protection, representatives of FAO and EBRD, and all other relevant public institutions, experts and representatives of scientific and research institutions, and also representatives of national consumers organization and representatives of some of the retailers.

The Congress was officially opened by Ljubisa Jovanovic, president of the Board of Directors of Serbian Association of Milk Producers, who invited all present to discuss and agree upon the joint strategy for quality, safety and competitiveness improvement in this most important agricultural subsector. He reminded that milk production has still been flat in Serbia due to limited purchasing power and export possibilities, with relatively low milk quality, whereby only 50 percent of milk sold meets EU requirements, makes further industry growth challenging. “Our goal is that in next 3 to 4 years all milk produced in Serbia would be in the ‘extra quality’ class” added Jovanović.

Dmitry Prikhodko, Economist in FAO’s Investment Centre Division, stated that the global price of milk is in a slight increase since June this year and that the Serbian producers and processors may benefit from the projected growth of global consumption of milk and dairy products. “Serbian farmers already receive substantial support from the government, absorbing almost 70% of all financial incentives to agriculture. However, Serbia has one of the smallest dairy herd sizes in Europe, with only 2,8 cows per household. Serbian farmers have to find a way to increase their production efficiency, improve quality and boost sales.”

“We believe that efforts of all dairy sector participants to establish a constructive dialogue, such as this Congress is, present an excellent platform for communication about the ‘hot issues’ and addressing the challenges, such as the necessary reconfiguration of the national agricultural and trade policies in the dairy sector.” remarked Milos Milovanovic, FAO Consultant.

The topic of the first panel was the state institutional support to the sector, where Nenad Terzic, from the Ministry of Agriculture and Environmental Protection, said that the government is planning to continue with a strong support of the livestock sector, which is the cornerstone of Serbian agriculture, in the next year. “We will consider reconstruction of the model of dairy sector support, upon the initiative of the Association of the Milk Producers, in such way that we should shift from linear bonuses to quality determined premiums.” Terzic concluded. The cost of subsidies in the form of premiums for milk amounts to 5 billion dinars per year. Proposal of Serbian Association of Milk Producers is that incentives, instead of remain linear, be constructed in such a way to support the quality, which would encourage the production of quality milk, since Serbian producers still have a large percentage of milk which does not meet the quality standards prescribed by the EU. Terzic also stated that incentives for breeding animals remain at the same level, while they will try to include also heads which are not registered (which make up about half of the total number of cattle in Serbia) in system of incentives. In addition, if the agricultural budget receives mild increase, the Ministry will try to improve and construct better investment support - allocation of grants, to support the development of production of milk and meat in Serbia.

Ljubisa Jovanovic quoted an official request of Serbian Milk Producers Association, which was already sent to the Ministry, which consists of an application for immediate assistance to farmers in the 4th quarter of this year, amounting to 4 dinars per liter of milk, following the example of all the member states of the European Union which support their manufacturers constantly in this crisis, in order to preserve domestic production.

Nenad Petrovic, Director of the Veterinary Department of Ministry of Agriculture, announced the relaxation of the conditions for the registration of farms, which will significantly ease the procedure for farmers. The requirement will be meeting the requirements of the Animal Welfare Act and other laws adapted to EU legislation. “Slowly but surely, we are moving towards enlargement of farms and production profiling.” added Petrovic.

Speakers agreed that establishing and accrediting the National Laboratory is a prerequisite of fair Government support, quality and safety improvement and consequently – international competitiveness. IPARD program may present a great opportunity for Serbian farmers, since special duties for imported milk that will be on power until December this year, are not the long-term and sustainable solution for protecting the Serbian dairy sector. These duties should certainly remain in effect next year, as the Serbian production can’t be competitive in relation to

the EU, primarily due to higher equity prices and weaker government incentives, but a better systematic solution should be brought, either through financial support or through negotiations on possible amendments of the Agreement on Stabilization and Accession, given that since its signing in 2009, circumstances have drastically changed. In any case, special duties for imported milk are an important way of protection of domestic producers, not only processors, who also heavily supported producers in the previous crisis years.

On the second panel, which was dedicated to manufacturing quality and branding, participants were addressed by Darko Samardžija, Director of Operations of Imlek, Milan Maksimovic, director of the purchase and development of milk production in Lactalis - Somboled and Goran Živkov from SEEDEV.

Darko Samardžija presented a model designed with the Association of milk producers, through which Imlek helps dairy farmers. One of the effective ways to support farmers which Imlek implements is through purchase of machinery for the members of the Association, which members use and in that way drastically ease and cheapen the production, and also improve quality of milk. It was suggested that also other dairies try to adopt such a model. Processors agreed that the last two years were very difficult for the dairy industry, mainly due to falling prices and sales in the European Union, which affected the Serbian market. However, processors supported manufacturers through the crisis, yet if the crisis deepens, that will require systemic solutions that must be made by the State.

As one of the most effective way to promote higher quality and national origin, Goran Živkov from SEEDEV presented recently adopted national Quality Label, whose introduction was initiated and supported by FAO and EBRD, and which could also be applied to Serbian milk products.

Goran Papović, President of the National Consumer Organization of Serbia mentioned that a large percentage of milk (about 40%) is still sold in the „gray“ economy zone, that is not controlled, and that it must be changed. It is necessary that all relevant institutions be involved in order to solve this problem.

In the third panel, which was dedicated to the retail and the opening of new markets, as well as possible improvements in sales by opening new sales channels, primarily exports, participants were also presented the findings of the research conducted by the GFK about the Serbian consumption habits of milk and dairy products, showing the trends, but also implicating that milk consumption is extremely sensitive and that consumers seek for the quality proof. Nenad Budimović, President of the Association of Animal Husbandry of Serbian Chamber of Commerce, said that of 1.4 billion liters of milk, which is produced in Serbia per year, only 800 million liters goes to industrial processing.

Unfortunately, representatives of retail chains canceled participation in this Congress in last minute (except for some who were present at the audience, but not as speakers on the panel). Those present agreed that it is necessary to consult representatives of the state in terms of permitted margins and conditions prescribed by the retail chains, especially when taking into account the prediction that in the future, the majority of consumers purchase will be performed precisely in these chains.

The Congress closed with a conclusion that in order to strengthen and improve the entire dairy sector it is necessary to foster open communication and dialogue between all participants in the chain - starting from milk producers, processors, state institutions and sales system.