

Agro-Industry and Agrarian Policy Measures in the Republic of Serbia during 1950 to 2000¹

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Abstract

Agro-industry is a very important factor of the whole economic system of the Republic of Serbia. After the World War II, in spite of the enormous potential in agricultural resources that Serbia has, the most important sector for the development of Serbia was the industrial sector. Agriculture became less and less important. Facilities for the processing of agricultural products was modernized at the same time, therefore during the seventies a basic position was taken that Agro-industry represents "Yugoslavian Economy's hope". During the eighties a hold up in growth of all macroeconomic indicators was recorded, and because of the well-known events on the territory of the former Yugoslavia (Socialist Federal Republic of Yugoslavia) at the beginning and during the nineties, Agriculture and Agro-industry as well as the whole Economy fell into serious difficulties. However, today Agriculture and Agro-industry that remained preserved (first of all, their infrastructure) could become an important support to the future economic development.

Key words: agriculture, agro-industry, agrarian policy, country

JEL Classification: Q18, L66

Introduction

It is very often that different terms for Agriculture and Food Sector are being used. Therefore, for example, terms like Agriculture, Food production, Food Industry, Agrar, Agro Economy, Agro-industrial complex, Agrocomplex, Agrobusiness and similar could be found. It is necessary to define the term first, in order to understand the right position and the right role of Agro-industry in macroeconomic policy.

The word agrar includes all socio-economic activities and problems related to Agriculture, in other words all elements of all agricultural activities: population, means of production, products, markets, living conditions in Agriculture.²

Today, the notion of modern Agriculture is often equalized in literature with the notion of Agrocomplex. Therefore, the definition of Agriculture has been derived: Agriculture is a field in

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² adapted according to K u k o l e ć a, S., *Organization and business lexicon*, Bureau of economic expertise, Belgrade, 1990.

production where primary products of plant and animal origin are being produced, finished off and refined for human needs.³

Considering that the Food Industry represents the most important part of the Agro-industrial complex, it has often been interpreted as being the entire problem that influences harmony between Agriculture and Industry. A great number of authors interpret the term Agrocomplex as a part of the total Economy that leans on Agriculture, on entering as well as on exiting part of the process of Agrarian reproduction, including Agriculture.⁴

It is obvious that like in theory, in practice as well there are different types of approach to Food Industry defining and classification, in other words to divide the total Agro Industry into branches, groups and activities. This paper will classify this field in a way which is in accordance with the Law on the classification of register classification unit activities.⁵ The need for activities classification is conditioned by a number of factors, one of which is certainly the setting and monitoring of economic policy measures.

Agro-industry is of great importance for the Republic of Serbia regarding its economic and social structure, directly within the total industry, as well as together with Agriculture, being an integral part of the total economy system. Dynamic and regional differences are also noticeable, which resulted from the resource characteristics of the area, structural characteristics and regional production efficiency that outline this field.

The *factors* that have a crucial role in the development of agrocomplex are above all the following:

- primary agriculture production level. More exactly, the offer, according to the shape, structure, quality and prices of raw materials that represent entering input of agrocomplexes;
- real demand for the finished agro-industrial products (outputs) or, in other words, level of development of the market on which these products could be placed.

In order to create as objective a picture as possible, a complementary analysis of Agro-industry with Agriculture within Agrocomplex was performed. In that sense decomposition was performed into: a) production of industrial input for agrar, b) production of agrar raw materials used for food production and refining and c) production, turnover and consumption of finished food products.

National Product of Economy and Agro-Industry during 1950-2000

Observing the period 1950-2000 it is noticeable that the period from 1950 until 1990 is characterized by an intensive socio-economic development. The whole decade of the nineties, because of the well-known events on the territory of former Yugoslavia, is characterized by decrease in all indicators, so it is understandable why the development of Agro-industry was stopped during the nineties.

The share of Agriculture in the structure of national product was decreasing rapidly until the mid-eighties. In 1955 the share was 41% and until 1985 it decreased to 17%. Considering the share of Agro-industry during the same period, a growth from 3.18% to 4.24% is recorded. Stagnation characterizes Agrocomplex during the period from 1986 to 1990.

³ adapted according to Vujačević-Zakić, Z., *Agrarian Economy*, Faculty of Economy, Belgrade, 1995.

⁴ Milanović, R. M., *Food Industry SR Yugoslavia – development, production, consumption, quality, export*, Belgrade, 2002

⁵ *Official Bulletin of FRYU*, N^o. 31/96, 34/96, 34/96 corr. 12/98, 59/98 and 74/99, as well as *Official Bulletin of SMNE* N^o.1/2003, Constitutional Charter.

It is a generally known legality that growth in the level of total socio-economic development is followed by a decrease in relative importance of agriculture in economic and social structure of national economy. It could be confirmed by observing the period from 1950 to 2000 regarding absolute, as well as relative indicators. Agrocomplex recorded continuous growth of national product until the beginning of the nineties, but it should be emphasized that this kind of growth was much slower than the one achieved by the total economy.

The reason for this lies above all in the general determination toward rapid flow in industrialization, as well as in primary agricultural production and its apparently slower growth compared with the rest part of economy which showed a dynamic growth rate. Observing the last few decades primary Agriculture reached its highest range of production during the mid-eighties. Table 1 shows a detailed structure of the national product movement and the share of Agriculture in national product during the period from 1955-1990 .

Table 1. National product of the Economy and Agro-industry in SRY for the period from 1955-1991
- mil.dinars (expressed in fixed prices from 1972) -

No.		1955	1965	1975	1985	1990
1.	Economy total	302.1	656.1	1,133.2	1,553.0	1,459.1
2.	Industry total	53.8	201.6	388.3	658.5	620.8
3.	Food processing industry	5.4	23.6	33.4	47.9	47.2
4.	Agro industry	9.6	42.7	46.9	65.9	66.0
5.	Agriculture	124.1	171.7	236.1	267.6	265.3
6.	Agro complex	133.1	214.4	283.0	333.5	350.5
7.	Agro industry participation in economy	3.18	6.51	4.14	4.24	4.52
8.	Agro industry participation in Industry	17.84	21.18	12.08	10.01	10.63
9.	Agriculture participation in Economy	41.08	26.17	20.84	17.23	18.18
10.	Agro complex participation in Economy	44.26	32.68	24.97	21.47	22.71

Source: Statistical almanac Yugoslavia 1993.

The period from 1991 to 1994 is characterized by the start of economic crisis and hyperinflation that culminated in 1993. Year 1994 started with anti-inflation measures, characterized by monetary flow control and the stamping out of the grey economy. Therefore the data for the second half of the nineties (expressed in fixed prices from 1994) are rather equalized. Table 2 shows the detailed structure of the share of Agro-industry, Agriculture and Agrocomplex in national product for the period 1994-2000.

Table 2. National product of the Economy and Agro-industry in SRY for the period from 1994 –2000
- mil.dinars (Footnote: expressed in fixed prices from 1994)-

No.		1994	1995	1996	1997	1998	1999	2000 ¹
1.	Economy total	20,750	22,017	23,310	25,028	25,652	20,045	21,326
2.	Industry total	7,850	8,186	8,816	9,685	10,060	7,240	8,022
3.	Food processing industry	1,238	1,362	1,416	1,345	1,372	1,296	1,283
4.	Agro industry	1,847	1,987	2,029	1,962	2,079	1,929	1,936
5.	Agriculture	4,302	4,472	4,521	4,839	4,704	4,299	3,743
6.	Agro complex	6,149	6,459	6,550	6,801	6,783	6,228	5,679

Table 2 (cont.)

7.	Agro industry participation in economy	8.90	9.02	8.70	7.84	8.10	9.62	9.08
8.	Agro industry participation in Industry	23.53	24.27	23.01	20,26	20.67	26.64	24.13
9.	Agriculture participation in Economy	20.73	20.31	19,39	19,33	18,33	21,44	17.55
10.	Agro complex participation in Economy	29.63	29.34	28,10	27,17	26,44	31,07	26.63

Note:¹ Without data about Kosovo and Metohija

Source: Internal documentation of Federal Bureau of Statistics

An increase in relative share of Agro-industry in the national product of total economy and industry is noticed. Production based on the available resources was successful in increasing in spite of the unfavorable operating conditions, resulting from economic sanctions above all, which were imposed by the United Nations. Keeping that in mind, it could be concluded that the contribution of Agriculture, as well as Agro-industry to the total economic, political and social situation was obvious during this period. Growth in the share of Agriculture and Agro-industry in national product during the observed period, resulted also from specific circumstances that the society was exposed to, and because of that contrary to the primary Agriculture and Agrocomplex reducing share legality.

According to the internal data of the Federal Bureau of Statistics, the share of NP of Agroindustry in the total share of Economy in SR of Yugoslavia in 2000 recorded insignificant growth of just 0.18% , compared to 1994, so the share of Agro-industry in the Economy was 9.08% in 2000. The share of NP of Agro-industry in NP of Industry during the period from 1994 to 2000 ranged from 20.26% to 26.64% which shows a tendency to further increase. The lowest realized share was recorded in 1997, while the highest was recorded in 1999.

Observing the share of NP of Agrocomplex in NP of the Economy, we noticed great oscillations between 1994-2000, with obvious falling tendency. So, in 2000 the share of NP of Agrocomplex was lower 3.0% as compared to 1994. However, if we observe the same indicator in 1999 we could see that it is much higher -31.07%, as compared to 2000 when it was 26.63%. During the period after 2000, the data related to the Food Industry was not collected separately, but only as a part of the Refining Industry, therefore it is not shown here, because it cannot be compared.

Employment in Agro-industry during 1950-2000

The growth tendency in the number of people employed in the sector of Agro-industry was recorded in the public sector until the nineties, while in the private sector, however, this tendency is negative. Observed statistically in 1990 the total number of employees in the Economy was doubled as compared to 1965. During the nineties, a decrease in total economic activity was followed by employment fall. In 2000 compared to 1994, the number of employees in the Food Industry, Beverage Production and Tobacco Processing fell, while only in Fodder Production the number of employees remained on the same rate. The number of employees in Agriculture fell for 26.3% in 2000 compared to 1994, while the number of employees in Agrocomplex fell for 15.6%. Data regarding national product, as well as regarding employees for the period after 2000 was not collected separately in relation to Agro-industry, but only as a part of Refining Industry, therefore it is not analyzed here, because it cannot be compared. Table 3 and 4 show the detailed structure of the movement of employees in Agrocomplex during the observed period 1965-2000.

Table 3. Annual average number of the people employed in the Economy and Agrocomplex
- thousands -

No.		1965	1970	1975	1980	1985	1990	1991
1.	Total	1,413.1	1,559.7	1,870.9	2,288.2	2,573.3	2,640.9	2,438.3
2.	Economic activities	1,165.6	1,271.7	1,523.8	1,865.5	2,102.6	2,139.3	1,963.3
3.	Industry total	522.3	563.1	699.7	838.6	993.1	1,067.5	991.8
4.	Food processing industry	45.5	54.5	65.2	76.5	92.5	97.5	93.2
5.	Agro industry	64.0	70.4	84.9	99.3	118.0	125.4	120.6
6.	Agriculture ¹	116.7	125.3	93.6	94.4	110.6	119.3	115.1
7.	Agro complex	180.7	195.7	178.5	193.7	228.6	244.7	235.7

Note: ¹ - data related to juristic persons who own public, government or co-operative agricultural property
Source: Statistical Almanac Yugoslavia, for the above mentioned years.

Table 4. Annual average number of the people employed in the Economy and Agrocomplex
- thousands -

No.		1992	1993	1994	1995	1996	1997	1998	1999	2000
1.	Total	2,328.4	2,243.4	2,177.6	2,114.0	2,078.9	2,014.2	1,963.2	1,992.3	1,908.6
2.	Economic activities	1,876.2	1,804.5	1,745.3	1,675.4	1,632.2	2,156.1	1,501.9	1,545.9	1,457.2
3.	Industry	940.2	915.5	894.5	870.0	852.2	820.2	796.2	756.0	709.9
4.	Food processing industry	91.6	90.0	88.6	87.9	89.0	87.6	86.6	86.1	83.4
5.	Agro industry	119.1	116.8	116.3	116.2	117.3	115.6	115.3	113.0	109.2
6.	Agriculture ²	109.1	106.8	104.0	99.4	92.8	85.7	83.1	84.1	76.7
7.	Agro complex	228.2	223.6	220.3	215.6	210.1	201.3	198.4	197.1	185.9

Note: ² - data related to juristic persons who own public, government or co-operative agricultural property

Source: Statistical Almanac Yugoslavia, for the above mentioned years.

Agro-industry in Foreign Trade during 1991-2000

Agricultural resources that Yugoslavia had, as well as the constant investment in the development and application of new techniques and technologies exerted a strong influence, taking a justified position in foreign trade policy which proclaimed a principle stating that "Agro-industry represents Yugoslavian Economy's hope".

Strong competition on the international market of agricultural and food products, as well as generally present state protectionist measures applied by a large number of countries, had a great influence, striving to carry out this kind of policy in Yugoslavia.

Observing the structure of Agro-industrial production and its share in the export, it could be stated that Serbia was mainly used as a source of raw materials, while other republics, in the first place Slovenia and Croatia and their firms, were favored as exporters of agricultural and food products. Therefore, since the observation of the share of Serbia in the structure of foreign trade balance was difficult to make, Table 5 shows only the data regarding the period from 1991-2000.

Table 5. Overall agrarian export - import balance

No.		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
1.	Agro Export (mil. USA \$)	587	459	699	370	436	520	378	399	323	290
2.	Agro Import (mil. USA \$)	482	283	523	256	326	551	678	553	340	345
3.	Agro balance (mil. USA \$)	105	176	176	124	110	-31	-300	-154	-17	-55
4.	Cover Agro-import with Agro-export (%)	122	162	134	144	134	94	56	72	95	84
5.	Agro Participation in total export	12.5	18.5	24.0	24.9	23.4	25.7	14.1	13.9	21.6	16.8

Source: PH.D. Milan R. Milanović (2002) «Food Industry Federal Republic of Yugoslavia – development, production, consumption, quality, export 1980 -2000» Institute of Agricultural Economics Belgrade, AAAYU

Agrarian Policy during 1950-2000

Accelerated industrialization *after the World War II* emphasized the importance of Industry to the economic policy, since Industry had become "the driving power and a framework for further economic development". Its aim was to create the material base for the society and to decide the course of future economic progress and Progress Society on the whole. The importance and significance of Agriculture was not directly disparaged by this. At the beginning of the accelerated industrial development, Agriculture was the leading branch in the creation of national product and it employed the largest part of population capable of work, although, it is good to mention, it was undeveloped itself.

The strategic decision that publicly proclaimed even the development of all sectors in Agriculture, where Agriculture would support other economic branches (by creating material elements, productive employment, working tools, etc.) was never completely carried out. It was emphasized in plans that the aim of Agriculture was to contribute to fulfilling as much as possible the growing need of the population, which was expected, regarding the migration process which was directed from countries to cities. In that sense, statistically observing the share of active Agricultural population in total active population, it could be seen that it was reduced from 77% - according to the Register from 1948, to 32% in 1981, to 24% in 1991, and to 16% according to the Register from 2002. This was, according to the opinion of many authors, one of the biggest rural exodus in economic history, which was confirmed in literature through numerous examples of Sweden, France, Denmark, Japan etc.⁶ The process of accelerated growing older rural population and creation of unfavourable education and qualification structure were also characteristic of the whole period, which reflected on the ability to adapt and on the application of new agro-technical methods which ought to be applied, considering the accelerated industrialization.

During the fifties, a transition to Socialist Self-Management Economy was made. After 1953, the so-called 'second phase in the creation of agrarian policy of the country' started. In essence, the policy's aim was not changed. It was intended to introduce appropriate instruments for the accomplishment of aims that had been previously set. Therefore, for example, the policy toward farms as toward individual units had not been changed, the aim was still their abolishing,

⁶ See more in Sipeć, V., "Place and role of Agriculture in satisfying long-term needs of Yugoslavian Economy", in Economic Anthology SANU, book II: *Long-term development of Yugoslavia realizations, aims, needs*, Belgrade, 1982, p. 359.

however, it was obvious that they could not be abolished simply by application of administrative measures, like it had been tried during the period of centralized Socialist Economy. It should be mentioned that the policy was not stated precisely regarding this matter, because the question was put on how to accomplish general development when the conditions are such that there is no social determination for economic help for farms, while farms still represent a very important element of total Agriculture. It was gravitated toward basic course of Agriculture according to which it should have been invested in the social sector, in other words in 'socializing'. The principle of social productivity growth in the public sector production (according to hectare, according to head of cattle etc.) was asserted. These attitudes implied the need for investments in application of new techniques and technologies, which resulted in the application of new chemical means, new seed, new mechanization, high-productive heads of cattle etc. Considering that the public sector had not been developed enough in that sense, certain compromises by agrarian toward industrial sector had been done.

After 1953, certain legal solutions were passed, according to which agricultural land purchasing, selling and renting were enabled. According to estimates, tempo of the process development did not leave its marks on agricultural production.

The reason for this lies in the high price of the land, division and splitting of agricultural lot and insufficient quality of the available land reserves intended for selling. Cooperation of the public and the private sector was performed, by which it was gravitated toward enabling social character of the working process. Cooperation is a measure that left stronger marks on Agriculture. This is, first of all, related to the transfer of new technologies to the private sector of Agriculture. Farm owners had interest in cooperation, because of insufficient technical equipment and division of their property, but it also should be mentioned that they were interested only until cooperation enabled higher production effects. The basic model of cooperation was simple cooperation which lasts until today. Social expansion, establishing the material base for the society, owing to the application of these measures, resulted in the expansion and improvement of agricultural production.

In the first half of the sixties, it was transferred to the socialist market economy, and one of the measures that had the most significant influence on Agriculture originates exactly from 1965 together with the long-standing prohibition for farmers to own power machines and connections. This way a strong impulse was sent to the development of agricultural production, its private sector, in other words to the improvement of agricultural farms. Over the second half of the sixties and during the seventies, certain stabilization of collective farms occurred, resulting from the growth of non-agricultural income arising from the country, and less resulting from the application of the appropriate agrarian policy. The collective farms were the mostly exposed social organizations as regards farmers and therefore they undergone frequent reorganizations. According to general estimates and related to the whole period after the World War II, inadequate agrarian policy toward small agricultural producers was carried out and looking on the whole, Agriculture served to the industrial development. There were attempts that households with mixed sources of income served as a certain form of symbiosis, which could have led to enabling complementary development of Agriculture and Industry, which gave weaker results in practice than the ones that had been expected in plans.

Over the seventies, especially in the second half, great importance was paid to agrarian credits, price policy, stock reserve policy, active policy of foreign trade exchange, old-age benefits and disability insurance. The intention was to use these measures to strengthen the application of global model of agricultural development which was only suggested since then. In the domain of carrying out price policy, short term price regulation was performed, and afterwards the regulation of the range of total agricultural production and the level of merchandise. This was performed in order to regulate the demand, since it was characterized as being inelastic, regarding that it was conditioned by population growth and its available income and a basic influence was done by the protected producing and selling prices. Credit policy within the agrar

was reduced to its technical dimension with risk prerogatives and short term period. It had not been taken enough care about the effects that would appear, so investments often failed.

With *the beginning of the nineties*, considering the mistakes which appeared in the credit policy, evaluation of credit policy and its effects were gaining importance. The most important was the quality of long term investments in technique and technology, as well as the application of the appropriate treatment technology. As regards taxing, it was performed similarly as in the case of public organizations. Therefore, special interest should be shown to the private sector. The main problem which imposed itself was tax foundation setting. Taxes were created based on the Real Estate Registry. This caused big problems to the farmers during the nineties considering the inflation which culminated in 1993. From the mid-eighties market making and specialization have become more and more important. In that sense, the attempts were made to correct total tax system. Old-age benefits and disability insurance were performed partially on the part of certain republics and narrower administrative territorial communities as agrarian policy measures.

The well-known events *from the beginning of the nineties* (wars, sanctions, deep economic, political and social crisis) caused range of agricultural production to return to the level it had had twenty years before in just two years. Shortage of input in Agriculture caused a drop of income in plant production and macroeconomic disturbance, which were caused by these circumstances and completely disoriented agricultural producers. Reacting to the newly created situation, the producers performed extension of production, increasing the area planted with grain and reducing cattle fund. After the stabilization of the anti-inflation program from 1994, already at the mid-nineties, there took place the total agricultural production recovery and growth. Analysing the period from 1994-1997, the growth in production is noticed with an annual rate of 4.3%. In order to overcome difficulties, Federal Government of SRY adopted Agrarian Policy Measures and Support for Agriculture⁷ on December, 1999. The following *strategic aims* of agrarian development were established:

- *Maintenance of feeling of security regarding food* – increasing the range and adapting the structure of agricultural production and Food Industry;
- *Application of the sustained development concept* – raising the technical and technological level, the level of productivity and competitiveness of agricultural production by optimal exploitation of agrarian resources, followed by appreciating the needs for environmental protection;
- *Accomplishment of balanced integral rural development (agrarian and regional)* – directing agrarian support toward strengthening production performance of market-oriented producers and revitalization of country, especially hilly and mountainous and border area;
- *Preservation of agricultural and food market stability* - enabling food offer coordinated with nutritive needs and the level of purchasing power of the consumers, according to the range, structure, prices and quality;
- *Attaining lasting surplus in foreign-trade exchange of Agriculture and Food Industry* – based on comparative agro-ecological advantages, productivity, quality, equivalent level of support and standards coordinated with the EU and WTO;
- *Creation of institutional and material base for Yugoslavian Agriculture accession into the international integrated processes.*

The above mentioned aims of agrarian policy should be carried out through a great number of market support measures and rural development support on the *level* of:

- *federal state*: within current economic policy, through special protection prices, stabilization by market reserves, applying border measures and subvention for export, regressing

⁷ *Official Bulletin of SRY*, N°. 71,10.12.1999. p.1

biological factors of growth and credit interest rates, applying quality control, phytosanitary and veterinary protection.

- *Republic members*: changing the production in accordance with agro-economic, demographic, economic and regional specificity, applying regression with input, applying subvention of the consumption and enabling budget stimulus to rural development.

Conclusion

Serbia has a great potential for agricultural production improvement. Over the period of fifty years different solutions were applied in order to improve agricultural production. However, it has been concluded that they were insufficient to enable expected results. Agro-industry represented a very important factor of the total economic development, especially during the seventies. Agrarian policy measures were often counterproductive, imprecise and destructive to individual agriculture producers. However, in spite of all these misfortunes, Serbian country has survived and developed. Today, it is burdened with numerous problems, of which depopulation is certainly the biggest. This is exactly the result of the policy that has been carried out over the last fifty years. We hope that Agriculture and Agro-industry will justify the expectations in the years to come, and one of the ways to improve the existing conditions in Serbia is to follow European trends, as well as to develop new markets and products.

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Agro-industria și măsuri de politică agrară în Republica Serbia în perioada 1950-2000

Rezumat

Agro-industria este un factor important pentru întregul sistem economic al Republicii Serbia. După cel de-a doilea Război Mondial, în ciuda enormului său potențial în resurse agricole, cel mai important sector pentru dezvoltarea Serbiei a fost sectorul industrial. Agricultură a devenit din ce în ce mai puțin importantă. Facilitățile pentru procesarea produselor agricole a fost totodată modernizată, ceea ce a condus la impunerea unui punct de vedere în anii 70, prin care Agro-industria reprezintă „speranța economiei iugoslave”. În anii 80 s-a înregistrat o stopare a creșterii tuturor indicatorilor macroeconomici, și datorită bine-cunoscutelor evenimente de pe teritoriul fostei Iugoslavii (Republica Socialistă Federală a Iugoslaviei) la începutul și în timpul anilor 90, Agricultură și Agro-industria, precum întreaga Economie au fost supuse unor mari dificultăți. Totuși, astăzi, Agricultură și Agro-industria care s-au conservat (în primul rând infrastructura lor) ar putea deveni un sprijin important în dezvoltarea economică viitoare.