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Report Highlights:

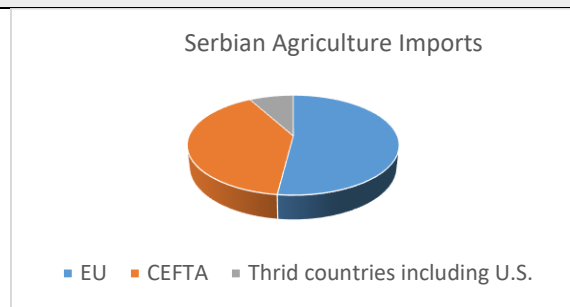
Serbia offers good opportunities for the U.S. exporters of consumer-oriented agriculture products. January – October 2021, total U.S. exports of agriculture products to Serbia reached \$22.6 million, an increase of 21 percent compared to the same period in 2020. The most significant segments were starch, almonds, whiskey bourbon, tobacco, pistachio, peanuts, vegetable planting seeds, juices and extracts from hops, sweet potato, wine, dietetic foods, concentrated proteins, snacks food, fish, and seafood products. This report provides U.S. food and agriculture exporters background information and suggestions for entering the Serbian market. The statistical data are as of October 2021.

Market Fact Sheet:

Executive Summary

According to the latest World Bank annual ease of doing business report, Serbia is ranked 44 of the 190 economies. Moreover, the International Monetary Fund (IMF) projected Serbia's gross domestic product (GDP) for 2021 to increase by 6.5% to \$60.3 billion, 17 percent higher than in 2020. Serbia is a developing country with a vital agriculture and food industry that contributes more than 10 percent to the GDP. The average annual inflation is expected to increase to 3.4%. Serbia has free trade agreements (FTAs) with the European Union, Turkey, and the Eurasian Economic Union (Russia, Kazakhstan, Belarus, Armenia, and Kyrgyzstan). It is also a signatory to the Central European Free Trade Agreement (CEFTA). January – October 2021 Serbia's total agri-food exports fell to \$3.1 billion, an 8% decrease from the same period in 2020. Meanwhile, total agri-food imports January – October 2021 were valued at \$2.6 billion, an increase of 40% compared to the same period in 2020 a \$500 million surplus.

Serbian Agriculture Imports



January – October 2021, agri-food imports were valued at \$2.6 billion, a 40% increase compared to the same period in 2020. Over 60% of imports are from the EU member states, while 30% are from the CEFTA member countries. Total U.S. agri-food exports to Serbia January – October 2021 were valued at \$22.6 million, 21% higher than in 2020. One major obstacle to increasing the U.S. market share in Serbia is the 5 - 30% customs import tax on

agri-food products, compared to zero import taxes for products from Serbia's FTA partners (about 90% of Serbian trade partners). Essential commodities imported from the U.S. include almonds (\$6M), whiskey bourbon (\$2.8), smoked tobacco (\$1.3M), almonds and peanuts (\$1.1), and vegetable planting seeds (\$1M).

Food Processing Industry

Serbia is the largest agricultural market in the Western Balkans with a strong agriculture production and food processing tradition. Serbia is a global leader in the production of non-GMO corn and raspberries. The food processing industry accounts for approximately one-third of Serbia's processing industry. Currently, over 15,000 food businesses are operational, and about 90% of these are micro, small, or medium-sized enterprises. This industry employs more than 100,000 people and stands as a rare example of a sector that has not been hit adversely by the economic crisis in 2020 and 2021. The largest subsectors in Serbia by value are dairy, meat, fruits, vegetables, wine, and confectionery industries.

Food Retail Industry

Retail revenue in Serbia is approximately \$6 – 7 billion a year, indicative of a relatively small market. Foreign retail chains control about 80% of the retail market, mainly divided between Dutch-owned Delhaize (owner of retail chains Maxi and Tempo) and the Croatian Fortenova Group (owner of retail chains Idea, Roda, and Mercator). Other international retail chains include Germany's Metro and Lidl and Greece's Super Vero. Domestic retail chains represent about 20% of the Serbian market: Dis, Univerexport, and Gomex. More than 50% of all food products are sold through small grocery shops (estimated to number close to 30,000). Due to significant changes in consumer behavior during the COVID-19 pandemic, online retail increased by almost 400% from March 2020 to October 2021.

Quick Facts January – October 2021

Imports of Ag and Consumer-Oriented Products:

\$2.6 billion

List of Top 10 Growth Products in Serbia

- | | |
|-----------------------|------------------------|
| 1) Meat/meat products | 6) Sugar confectionary |
| 2) Fish & seafood | 7) Pasta |
| 3) Snack foods | 8) Tree nuts |
| 4) Dairy products | 9) Distilled beverages |
| 5) Coffee and tea | 10) Bovine semen |

Food Industry by Channels (USD billion)

Food Industry Output	\$9.20
Food Exports	\$3.10
Food Imports	\$2.60
Food Inventory	443 kg/capita
Domestic Food Retail	\$6.5
Food Service	\$4.8

Food Industry Gross Sales

Domestic Food Market: \$ 5.5 billion

Top 10 Serbian Retailers

- | | |
|-------------|-----------------|
| 1) Maxi | 6) Tempo |
| 2) Roda | 7) Univerexport |
| 3) Idea | 8) Gomex |
| 4) Merkator | 9) Aroma |
| 5) Lidl | 10) DM |

GDP/Population

Population: 7 million

GDP: \$60.3 billion

GDP per capita: \$7,100 (2021)

Serbian Market Advantages and Disadvantages

Strengths	Weaknesses
Serbian consumer-ready food imports are increasing.	Serbia is not a member of WTO, and the U.S. has no tariff advantages.
International retail chains have become more prevalent.	U.S. products tend to be priced higher than EU, CEFTA, Turkey, and Eurasian Economic Union products that enjoy preferential market access.
Opportunities	Threats
Serbia has shortages of certain agricultural products (beef, pork, poultry, soybean meal, almonds, peanuts, pistachios, snack foods, beans, seeds, fish, and seafood).	Serbia conducts most of its trade with nearby countries. Long-distance and high shipping costs put U.S. products at a disadvantage compared to EU- and CEFTA-sourced products.
Serbia needs new seed varieties to grow crops and vegetables.	Serbia continues to ban biotech products, but the U.S. share of conventional crop and vegetable seeds increases.

Exchange rate average in 2021

\$1 = 100 dinars

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Section 1. Detailed Market Overview

Economic Situation

During 2020, COVID-19's impact exceeded that of the 2008 global economic crisis in several sectors. Nevertheless, macroeconomic indicators remained stable, and financial authorities continued to comply with IMF recommendations. According to the IMF, Serbia's economy was expected to expand by 6.5 percent in 2021. The IMF expects Serbia's GDP to grow by 4.5 percent in 2022. The IMF noted that in 2020, Serbia's economy contracted by 1 percent. The IMF estimated an average consumer price inflation of 3.4 percent in 2021, accelerating from 1.6 percent in 2020. The average inflation is predicted at over 7 percent in 2022.

In 2020 and 2021, the Serbian Government focused on supporting the economy's recovery from the impact of the COVID-19 crisis. It approved a robust fiscal stimulus program nearly 13 percent of GDP at the outset of the pandemic. Thanks to the timely deployment of the program, the economy experienced only a mild recession of -1 percent in 2020 and a recovery in 2021. However, the program's impact came at a considerable fiscal cost, as the fiscal deficit reached 8.1 percent of GDP last year.

Over the medium term, Serbia's economy is expected to return to pre-pandemic growth levels. However, the country still faces challenges that limit its growth. These include deteriorating governance, a lack of infrastructure, and an unreformed education sector. Most importantly, Serbia should remove bottlenecks to private sector investment.

Serbia must make further changes to its regulatory policies to align with the recommendations of the 2021 European Commission's (E.C.) Annual Progress Report https://ec.europa.eu/neighbourhood-enlargement/serbia-report-2021_en. The E.C. Progress Report also noted a lack of progress adopting the framework legislation on genetically modified organisms that should be aligned with the E.U. acquis. Serbia should complete WTO accession by adopting an amended law on genetically modified organisms and complete the remaining bilateral market access negotiations.

Overall Business Climate

Serbia is an open economy with a strategic geographic location that makes it an attractive destination for investment and exports. Serbia has easy access to both EU and non-EU markets, a highly skilled and educated workforce, and sound infrastructure that has led many global companies to establish manufacturing and service facilities (see Serbia's Country Commercial Guide <https://www.trade.gov/country-commercial-guides/serbia-market-overview?section-nav=5477>).

Recent Trends

The local and regional media frequently publish articles detailing consumers perceived (and actual) discrepancies in the quality of identically branded food products sold in Western Europe and Serbia. Concerns about ingredients and lower quality also have a strong influence on buyers' confidence in imported products. This "dual ingredient" issue is common in Central and Eastern European countries. Most consumers have adjusted their eating habits and diet for health reasons, increasing health consciousness. Therefore, a slight increase in consumption was observed before the COVID-19 pandemic of hypoallergenic and organic food products. Price remains the most important factor affecting purchasing decisions.

Serbian consumers are increasingly purchasing online especially cross-border retail for lower prices and this segment is expected to grow at an annual average rate of 10.8 percent over the course of the next four years. Currently, e-commerce is 2 percent of total retail turnover at about \$350 million a year with 2.9 million online shoppers. The number of shoppers is expected to increase to 3.9 million by the end of 2022.

Advantages	Challenges
The urban population continues to grow and has higher incomes.	The Serbian market is relatively small and price sensitive.
Due to the COVID-19 pandemic, the EU and neighboring countries have limited ability to supply food to Serbia.	Due to the COVID-19 pandemic and economic crisis, the general population's purchasing power is shrinking and is mainly allocated to meet basic needs.
Serbia does not produce rice and certain fruits and vegetables.	The regulatory process can be cumbersome.
Serbia is a member of Codex, OIE, UPOV, FAO, and OECD.	Given Serbia's aspiration to accede to the EU, Serbia is likely to support EU positions before it becomes an EU member.
Serbia has a huge demand for U.S. animal genetics under low custom tariffs.	Serbia's purchasing power is limited.
Tourism growth.	High shipping costs and Serbian buyers demand quality but also low prices.
Most Serbian importers speak English.	Lack of awareness of U.S. goods; the lack of consumer understanding of the quality of U.S. products.

Section 2. Exporter Business Tips

Market Access

The Foreign Trade Law ("Official Gazette RS" No.36/09, 36/11, 88/11 and 89/15), <http://mtt.gov.rs/en> regulates foreign trade. Serbian Customs authorities supervise the flow of imported goods. Customs supervision ends when customs clears goods and import duties are paid, although special customs procedures exist for customs warehousing, inward processing relief, and transit. Serbia does not impose significant restrictions on foreign trading. Import licenses are required for certain pharmaceutical substances, meat products, animals, precious metals, arms, and dual-use goods. However, restrictions are imposed on import/export payments and collection operations defined by the Law on Foreign Exchange Operations. Since 2009, Serbia has maintained a restrictive GMO Law, banning all trade and production of biotech products. The current GMO law must be amended if Serbia is to become a WTO member and reduce custom tariffs with the U.S. to improve mutual trade.

Local Business Customs

U.S. food exporters should establish business relationships with reliable and efficient importers and distributors. U.S. exporters and Serbian importers could expand trade by strengthening confidence through visits of U.S. exporters/manufacturers to Serbia, exploring opportunities firsthand, and meeting with relevant Serbian importers. A contact list of Serbia's major food supermarkets, importers, wholesalers, and distributors by sector is available upon request from FAS Belgrade. Large food retail chains like Delhaize, Fortenova Group, and Lidl have purchasing and importing divisions that handle food imports directly. U.S. suppliers should initially contact these large food chains' purchasing/importing divisions, especially for new-to-market food products. U.S. exporters should consider price sensitivity and product requirements, purchasing policies, and expected purchase volumes.

General Consumer Tastes and Preferences

According to the Serbian statistical office, the average Serbian consumer spends over 50 percent of their monthly income on food, compared to the average EU consumer who only spends 18 percent of their income on food. Most Serbian consumers view price as the primary factor when purchasing food and beverages. Serbia's large supermarket chains have become more popular as the main food sales point over the last decade. Customers purchase food once or twice a month from these outlets. Due to rising food prices and weak purchasing power, neighborhood corner shops are regaining customers for daily purchases of staple foods. Perishable foods, fruits, vegetables, bread, and fresh meat are mostly sold at specialized stores or produce markets.

Distribution Channels

Supermarket and hypermarket expansion in Serbia over the past 15 years has brought limited benefits to consumers and small suppliers, such as farmers. Retail revenue in Serbia is approximately \$6.5 billion a year, an indication of a small market. An analysis conducted by Serbia's Economic Institute for the 2001–2020 period reveals a significant increase in retail prices for many product categories. Foreign retail chains control 80 percent of the total retail market, which is mostly divided between Dutch-owned Delhaize (owner of retail chains Maxi and Tempo) and the Croatian Foretenova Group (owner of retail chains Idea, Roda, and Mercator). Other international retail chains in Serbia include Germany's Metro and Lidl and Greece's Super Vero. Domestic retail chains represent only 20 percent of the Serbian market: Dis, Univerexport, and Gomex.

Labeling and Marking

In 2018, the Ministry of Agriculture adopted the Rulebook on Declaration, Labeling, and Marketing Food ("Official Gazette" RS No. 16/18). The Rulebook's implementation started on January 1, 2019, and additional amendments were adopted in 2020 ("Official Gazette RS" No 17/20 and 118/20). The Rulebook requires nutritional labels with detailed information on all food products to protect public health.

Section 3. Import Food Standards and Regulations

Imported goods are subject to customs duty rates provided in the Law on Customs Tariff ("Official Gazette RS" No.115/12, 130/14, 98/15 97/16 and 95/18) <https://www.carina.rs/dokumenti/carinski-propisi/zakoni.html> and the Decree on "Harmonization of Customs Tariff Nomenclature" ("Official Gazette RS" No.98/15), <https://www.carina.rs/dokumenti.html> .

These rates are *ad valorem* (with certain exceptions) and apply to goods originating in countries that have Most Favored Nation (MFN) status with Serbia. Effective January 1, 2014, per Serbia's Stabilization and Association Agreement with the European Union (SAA), approximately 95 percent of all EU agricultural imports became duty-free. All other items now have an average duty rate of 0.99 percent, although this rate is significantly higher on certain sensitive agricultural commodities.

Serbia's customs authorities also assess excise duties on oil derivatives, live cattle, tobacco products, and alcohol and coffee (green, roasted, and ground coffee, and coffee extracts). Excise duties in Serbia are either specific (for oil derivatives, alcohol, cigars, and cigarillos), *ad valorem* (for coffee and pipe tobacco), or combined (for cigarettes - specific + *ad valorem* on retail price). The VAT is payable on all imports, assessed together with customs duty. For most goods, the general VAT rate of 20 percent applies, calculated on the customs value and inclusive of customs and excise duty if any. The reduced VAT rate of 10 percent applies to fruits and vegetables, meat, cereals, and pharmaceuticals.

For more detailed import standards and regulations, please refer to FAS Belgrade's 2021 Food and Agriculture Import Regulations and Standards (FAIRS), Narrative and Certification report that can be downloaded from: <https://gain.fas.usda.gov/#/> .

Section 4. Market Sector Structure and Trends

Market Opportunities for Consumer Food Products:

Despite these challenges, high-quality U.S. products have market opportunities due to growing consumer awareness.

Serbia has FTAs with the European Union, Turkey, and the Eurasian Economic Union (Russia, Kazakhstan, Belarus, Armenia, and Kyrgyzstan). It is also a signatory to the CEFTA. According to Serbia's Customs Office, the trade deficit for the January – October 2021 period was \$6.41 billion, or 20 percent higher than for the same period in 2020 (\$5.3 billion). For the January –October 2021 period, Serbia exported goods valued at \$21.40 billion which is 36 percent higher than in the previous year and imported goods valued at \$27.40 billion, 30 percent higher than the previous year. The EU remained Serbia's most important trading partner, accounting for over half of foreign trade, followed by CEFTA countries.

Serbia's total agri-food exports from January to October 2021 reached a value of \$3.1 billion, an 8 percent decrease from the same period in 2020. Agriculture is the country's most important export sector, accounting for more than 20 percent of all exports with a trade surplus of \$500 million in January – October 2021.

Agri-food imports were \$2.6 billion, a 40 percent increase compared to the same period in CY2020, primarily due to a bad year for most of the harvest Serbian crops due to summer drought and decreased local production of agriculture commodities. Since 2001, agricultural exports have benefitted from preferential EU and CEFTA access. Serbian exports consist mainly of grains, sugar, fruits, and vegetables (fresh and frozen), confectionary products, and beverages.

Best High-Value Product Prospects for U.S. Products

Product Category	Total Imports to Serbia (Million \$)	U.S. potential share of total imports	Key Constraints	Market Opportunities
Coffee and Tea	50	27%	Strong competition from South America, Africa, India, and Vietnam.	Growing market and demand for greater variety and higher quality.
Grains and Vegetable Seeds	90	40%	Strong competition from domestic seed institutes and EU companies.	Growing demand for higher quality new seed varieties to achieve higher yields and higher-quality products.
Wine	391	8%	Strong competition from EU and CEFTA countries at lower price points.	The growing market for higher-end wines as Serbian living standards increase.
Protein Concentrates	25	40%	The lack of familiarity with U.S. products.	Growing demand and interest in new products.
Pet Food (Dog and Cat Food)	30	30%	Competition from EU/CEFTA countries and U.S. franchises in the EU.	Serbia has a limited production of pet food. Consumption of pet food is expected to grow as pet ownership grows.
Fish and Seafood	50	20%	Competition from the EU.	Demand and consumption are increasing along with changing eating habits and the growth of restaurant and tourism businesses.
Snack Foods	225	30%	Strict biotech legislation and significant competition from EU and CEFTA.	A market that will continue to grow with demand for new products.

Section 5. Agricultural and Food Imports

Agricultural Trade with the United States

The United States ranked 24th for exports to Serbia January – October 2021 a decline of 36 percent compared to the same period in 2020. Total agri-food exports from the United States to Serbia January – October 2021 were valued at \$22.6 million, 21 percent higher than in the same period in 2020. One of the major obstacles to increasing U.S. market share in Serbia is the 5 – 30 percent customs import tax compared to zero import taxes for products coming from the European Union, CEFTA countries, and other countries with whom Serbia has FTAs.

U.S. agri-food exports have consisted mainly of starches, almonds, whiskey bourbon, tobacco, pistachio, peanuts, vegetable, sunflower planting seeds, juices, extracts from hops, sweet potatoes, dietetic foods, concentrated proteins without dairy fats, other snack foods, fish, seafood, prepared meals, alcohol, and fruits. The long-term forecast for these products is continued growth. In the medium term, Serbia is also likely to increase imports of planting seeds, fish and fishery products, poultry meat for processing, high-value consumer products, and beverages. Opportunities also exist to expand U.S. exports of high-value products such as tree nuts, raisins, snacks, beverage concentrates, planting seeds, seedlings, bovine semen, embryos, flavors, and fragrances.

Agriculture and food import statistics for Serbia and the U.S. can be found at <https://apps.fas.usda.gov/Gats/default.aspx>. According to the USDA BICO Reports, exports of U.S. agriculture and food products are smaller compared to Serbia's official customs data. This discrepancy is due to transshipment through EU countries that BICO does not register as U.S. exports.

Top imported commodities from the United States in U.S. Dollars (thousands) for the January–October 2020 period

HS Code	Commodity	Jan-Oct 2018	Jan-Oct 2019	Jan-Oct 2020	Jan-Oct 2021
00802 12 90	Almonds, no shell, fresh or dried	2,800	2,700	4,000	5,980
2106 90 92	Different food products nn, ≤1,5% mm, ≤5%	2,600	3,200	4,100	3,980
2208 30 11	Whiskey bourbon	1,500	2,100	1,400	2,760
2401 20 85	Tobacco, dried	9,000	8,104	1,200	1,280
1209 91 80	Vegetable seeds	630	600	580	1,050
2008 19 93	Almonds and pistachios, roasted, <1 kg	130	150	453	705
1302 13 00	Juices and extracts from hops	420	500	525	496
2204 21 00	Wine	48	50	70.4	391
0714 20 10	Sweet potato	280	300	421	351
2008 19 13	Almonds and peanuts, roasted, >1 kg	250	270	200	350
1206 00 10	Sunflower seeds	300	320	350	240

Source: Serbian Customs Office

Section 6. Key Contacts and Further Information

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Attachments:

No Attachments.