

serbia**food**industry

content

aboutserbia	2
landoffood	4
tradeunlimited	8
favorabletaxsystem	11
fruit	12
vegetables	14
meatanddairyproducts	16
plantsformedicallandcosmeticuse	19
wineandspirits	20
organicfood	22
foodsafetystandards	24
aboutsiepa	26



Excellent geographic position with two major pan-European corridors (N^o 7 – Danube River and N^o 10 – highway and railroad) intersecting on the Serbian territory, provides for a shipment from Serbia to be able to reach even the remotest parts of Europe in less than 72 hours



aboutserbia


EU accession remains one of the Serbian government's top priorities. After the European Commission recommended Serbia to receive EU candidate status in October 2011, Serbia became an EU membership candidate on March 1, 2012. In addition to praising substantial reforms of the previous years, the EC highlighted that Serbia has taken important steps towards establishing a functional market economy and achieving a degree of macroeconomic stability despite the global economic and financial crisis. Based on the National Program for EU Integration, the country's regulatory framework is due to be fully harmonized with Acquis Communautaire by the end of 2012.

To date (as of September 2012), twenty six EU member countries have ratified the Stabilization

and Association Agreement (SAA), yet to be ratified only by Lithuania. The SAA with the EU was inked back in April 2008 and the formal application for EU membership was submitted in December 2009. To speed up the process of economic and trade integration, Serbia unilaterally commenced implementing the Interim Trade Agreement in January, 2009. The government is gradually eliminating import customs duties for industrial and certain agricultural products from EU countries, with a plan to abolish all duties by 2014.

WTO compliance negotiations are in the final stage. Serbia is working hard to resolve technical details with the US, Brazil and Ukraine and expects to join the WTO by the end of 2012, early 2013, the latest.

Republic of Serbia

 88,361 km²

 7.120 mn*

GDP 2011 € 31.143** bn

GDP pc 2011 € 4,288**



Temperate continental, with monthly average temperatures ranging between 0.7°C in January and 17.5°C in July



Major Cities:
Belgrade: 1.6 million*; Novi Sad: 0.34 million*; Nis: 0.26 million*

*Source: Statistical Office of the Republic of Serbia / **Source: Ministry of Finance and Economy

land of food

Food industry is one of the strongest points of the Serbian economy



Serbia is a land of agriculture and the cult of food has always been an integral part of the country's culture. Availability of arable land and perfect climate conditions blessed Serbia with diversity of fruit and vegetable varieties, some autochthonous, other simply ample to be grown on Serbian land. The lowest usage of fertilizers and pesticides in

Europe, fertile soil, perfect yearly balance of sun and rain, tradition in growing of plants and care and expertise in making food products, makes Serbian food simply taste differently. Whether it's fresh raspberries, full fat milk, baby beef, paprika, or mint, food from Serbia brings the taste and spices of the country to the farthest corners of the Globe.

Food from Serbia has had its place on the global market for centuries. Serbia has been producing and exporting dry plums and meat to Central Europe since 1820, while canned ham has been finding customers across the US for the last 50 years. Bovine meat from Serbia, especially goat, was present in Arabic countries, as well as on the European markets.

The industry was at its peaks during the time of Former Yugoslavia, with strong exports and high production volumes for the domestic market. Moreover, privatization of companies since 2000 and a strong influx of foreign capital, combined with the experience of Serbian workers and Government support, have done extremely well on the industry development. The

excellence of the Serbian food industry is well known both regionally and internationally, making it Serbia's the most celebrated industry examples. Nowadays, food production is one of the strongest points of the Serbian economy and a great contributor to the socio-economic development of the region and country's trade balance - food production and food-processing account for around 25 and 35 percent of the total Serbia's export turnover, respectively.

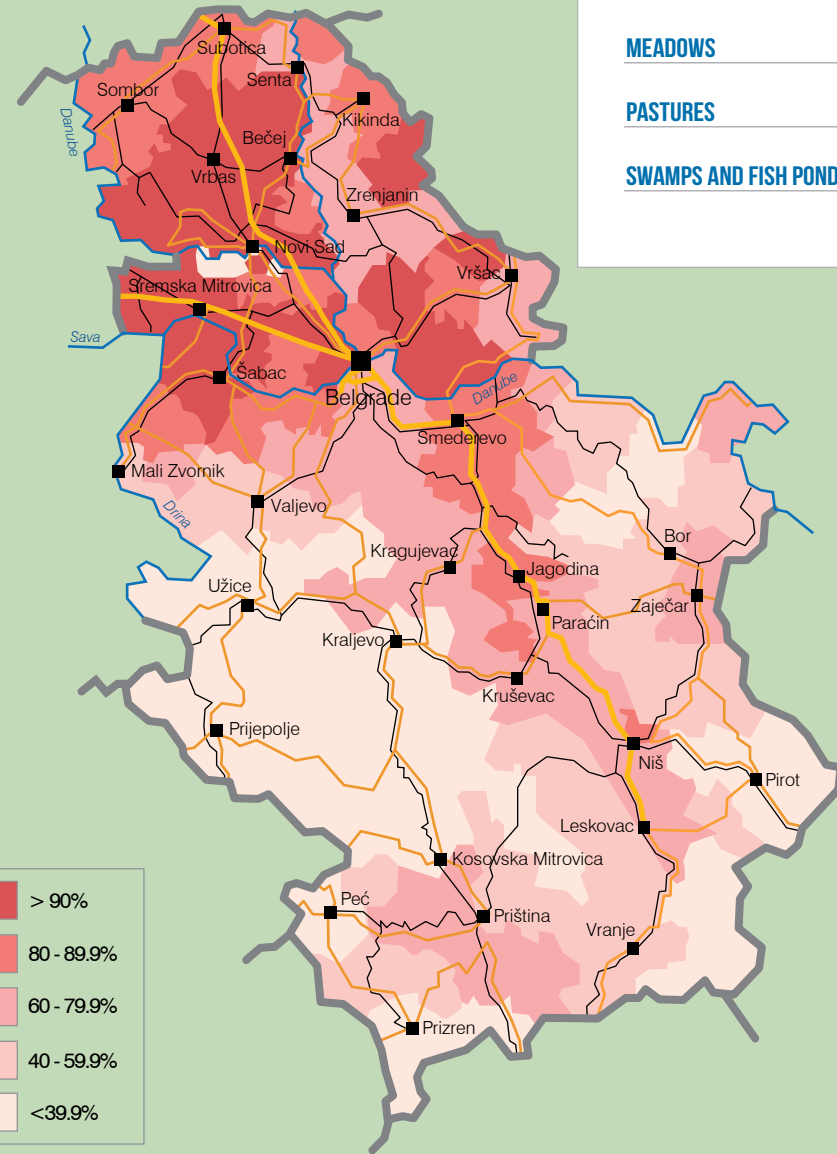
Although this industry is quite diverse, it could easily be said that Serbia has a distinctive expertise in processing plums, all kind of berries, sweet and sour cherries, apples, pears, grapes, peaches, apricots and using them for variety of products such as brandy, jams, juices, spreads, jellies, compotes etc.



AGRICULTURAL LAND	5,092,000ha
ARABLE LAND	4,218,000ha
FIELDS AND GARDENS	3,345,000ha
ORCHARDS	246,000ha
VINEYARDS	67,000ha
MEADOWS	594,000ha
PASTURES	826,000ha
SWAMPS AND FISH PONDS	36,000ha

Serbia could produce triple as much food as it does today

ARABLE LAND IN SERBIA BY % OF AGRICULTURE LAND



Due to unused soil and perfect climate conditions Serbia is estimated to be able to produce triple as much food as it does today. Taking the rising global food demand into account, Serbia could become an even more important international player.

Key strengths of the industry are the ideal climate conditions, proximity of the EU market, strong brand throughout CEFTA region and usage of improved agricultural techniques. Growing global demand for organic products and the potential for organic production together with the availability of EU funds could also boost the development of the industry and lead to full utilization of the free trade agreements with many countries (please refer to the page 8).

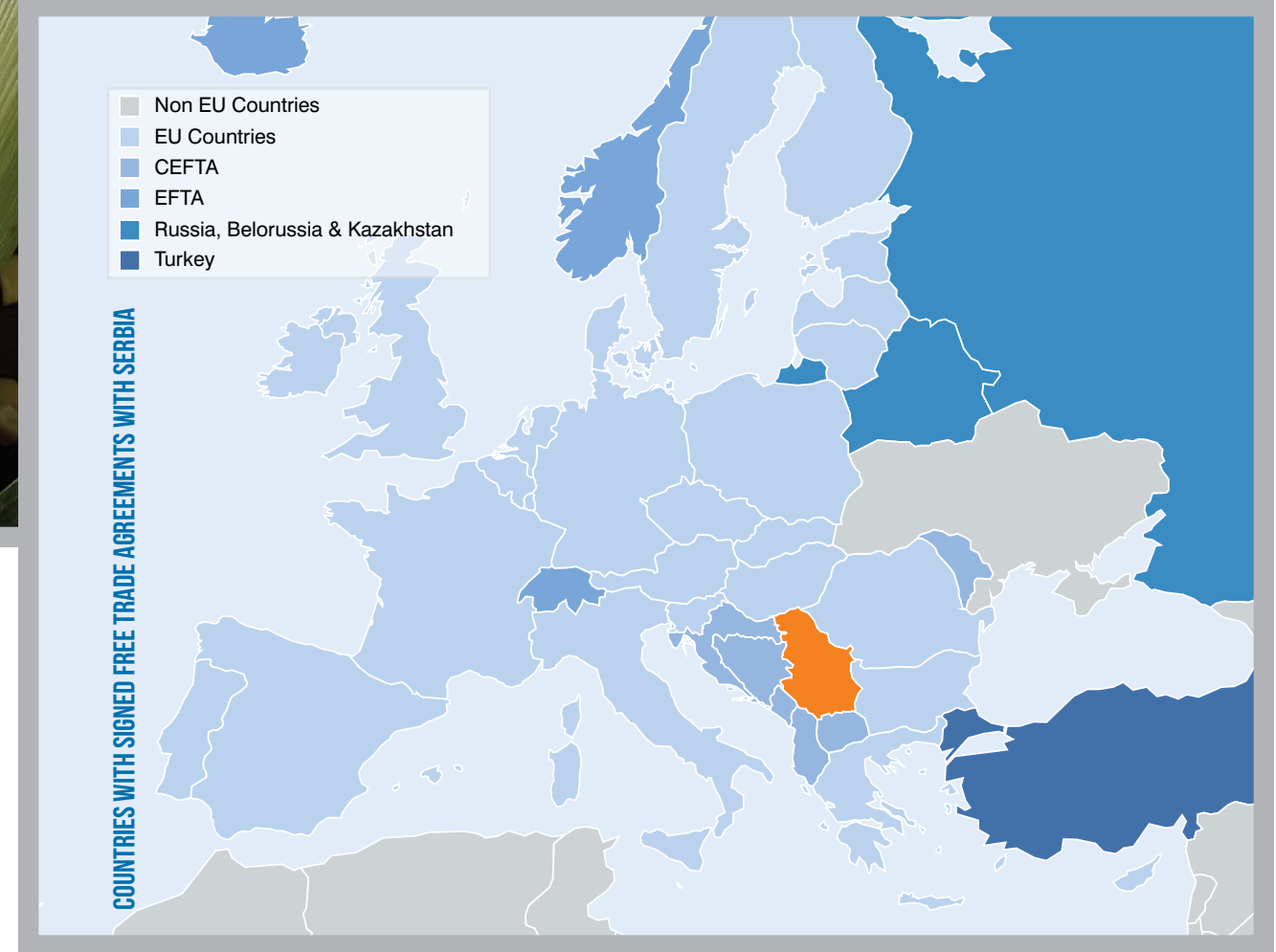
Limited domestic market and still low internationalization of Serbian companies could easily reverse for the benefit of industry development together with more intense use of new technologies.



tradeunlimited

By the means of the set of free trade agreements Serbia serves as a platform for duty-free export of foodstuff to a market of roughly 1 billion people. In addition to being the only country outside the Commonwealth of Independent States (CIS) that has a free trade agreement with the Russian Federation, Serbia has such an agreement with the European Union and a number of other countries. That particular fact makes it a bridge between the east and the west and a hub for Euro/Asian market. Free trade agreements with EU, EFTA, CEFTA and Turkey allow for mutual accumulation of origin, as do the agreements with Russia, Belorussia and Kazakhstan, respectively. Trade with the US is pursued under the Generalised System of Preferences (GSP) which provides for a duty free export of most of the food products.

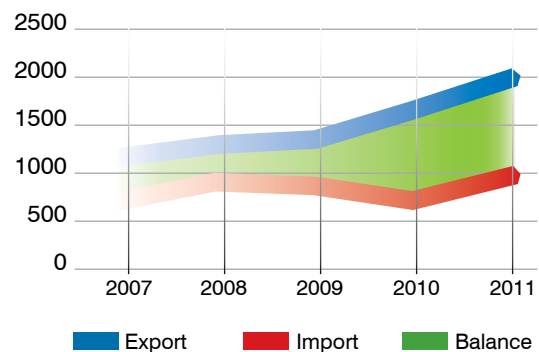
Export of agricultural products is on a constant rise and so is the trade balance that stood close to a billion euros in 2011 - 9.1% higher compared to the same period in 2010. Serbia is the biggest exporter of foodstuff among CEFTA countries and the only net exporter.



Key Food Export Partners
(in thousand \$, 2009 / 2010 / 2011)

	RUSSIA	58,878 / 119,757 / 158,655
	BOSNIA AND HERZEGOVINA	360,901 / 396,719 / 441,373
	GERMANY	141,034 / 131,972 / 183,223
	ROMANIA	214,127 / 281,697 / 352,984
	ITALY	84,485 / 103,545 / 136,653
	MACEDONIA	137,167 / 163,723 / 169,800
	MONTENEGRO	299,979 / 281,050 / 330,134

Trade in Foodstuff, € million (2007-2011)



Main Export Products
\$ million / 2011

Corn	423.8
Sugar	159.9
Raspberry, roland	101.2
Wheat	73.3
Sunflower oil	66.7
Apples, fresh	62.2
Beer in bottles	59.6
Non-alcoholic drinks	56.9

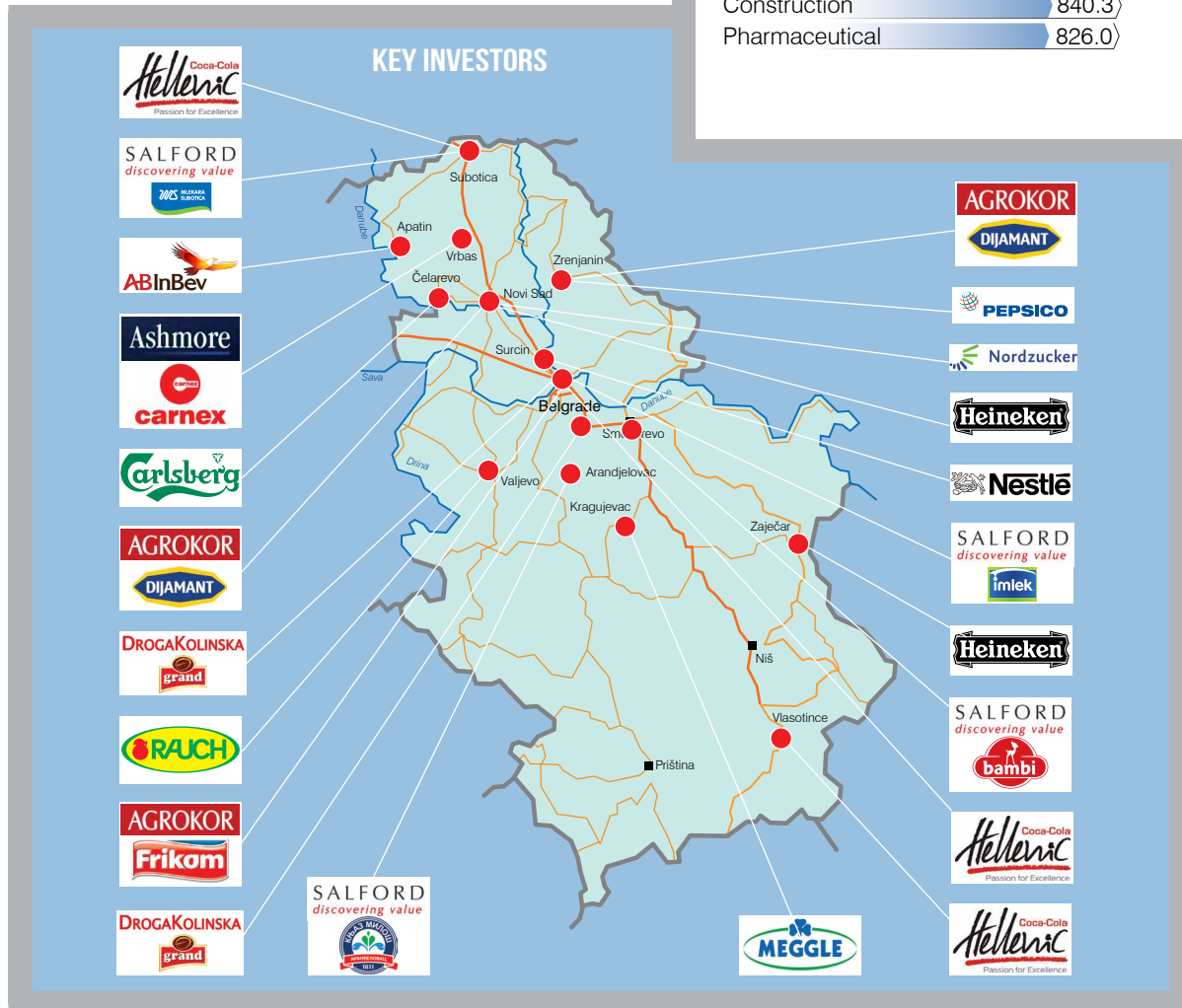
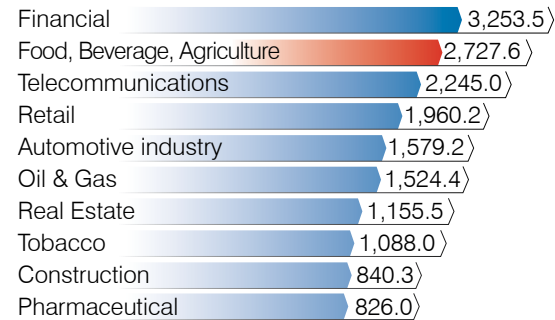
Main Import Products
\$ million / 2011

Coffee	102.5
Cigarettes	62.8
Bananas	38.4
Oranges, fresh	28.7
Tomato, fresh	18.5
Tobacco, dry	17.9
Coffee products	16.2
Palm oil	15.4

Strong Investment Point

Over the past decade, Serbian food industry highlighted the list of most attractive sectors for foreign investors. United States' Pepsico, German NordZucker, Austrian Rauch, United Kingdom's Salford and Ashmore, Denmark's Carlsberg, and Belgium's AB InBev and many others have built their factories in Serbia in order to supply local, but even more so markets of EU and the ever growing Russian market.

Foreign Investments in Serbia by Sectors (in million EUR), year 2001-2012.



favorable tax system

Serbia's tax system is highly conducive for investment. Apart from featuring one of the lowest corporate profit tax rates in Europe, investments can benefit from various tax incentives which create excellent start up conditions.

Financial Incentives

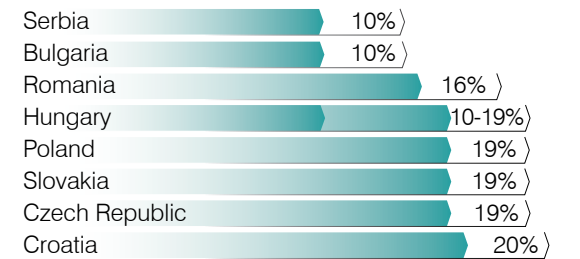
Highly competitive and diverse investment incentives are designed to reduce the costs of investment projects in Serbia. For standard-scale Greenfield and Brownfield projects, non-refundable state funds are offered in the range between €4,000 and €10,000 per new job created. Investments of over €50 million that create the minimum of 300 new jobs can be subsidized in the amount of up to 20% of the project's value.

For a detailed overview of tax incentives and financial support program please refer to specialized SIEPA brochures at www.siepa.gov.rs.

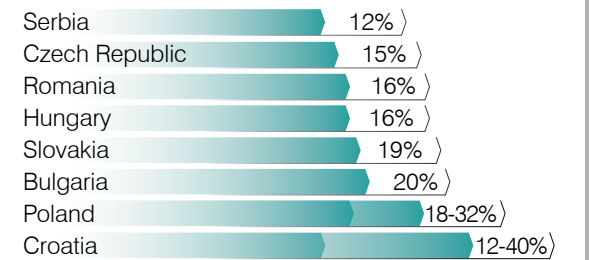
Free Trade Zones and Inward Processing

Exporters in Serbia do not have to be concerned with import duties and VAT on materials from EU or any other country in the world. In order to stimulate export oriented production, Republic of Serbia provides custom and VAT free import of materials through the Inward Processing procedure. The general permission for Inward Processing is obtained once a year but even further simplification of the procedure can be gained by operating in one of the Free Trade Zones. The Free Trade Zone is considered to be outside the custom system and all goods bound to factories inside them are custom and VAT free.

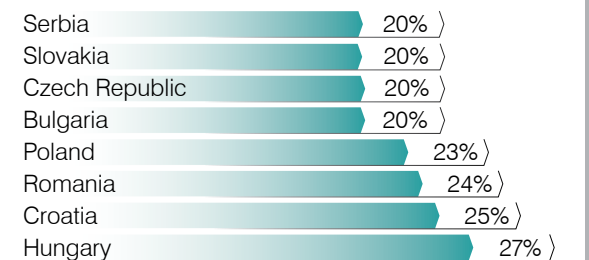
Corporate Profit Tax



Salary Tax Rate



VAT





Serbia was the biggest exporter of frozen raspberries for six years in a row



fruit

Fruit production is one of the key sub-sectors of Serbia's economic development and therefore given a strategic treatment by the Government of Serbia. Despite of the effects of the global economic crises, export of Serbian fruit rose by 45% in 2011 and is showing tendency of continuous growth.

In 2010 Serbia accounted for more than 55% of the entire EU production and around 22% of global raspberry production. With around 80,000 tons produced and export revenues amounting to \$200 million, Serbia was the largest exporter of raspberries in 2010 globally. Its traditional

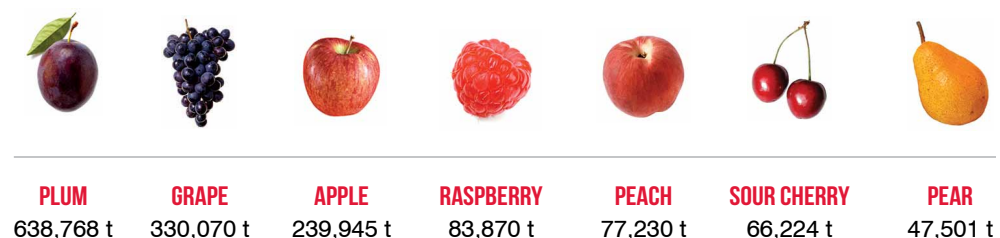
competitor, Chile, was ranked second with around 35.000 tons. The two countries are regularly world's strongest raspberry exporters and among the largest producers globally, together with Russia, US, Poland, and Germany.

Around 80-85% of raspberry production is intended for export, mainly frozen in bulk. This constitutes a huge potential for investors who are thinking to start a production of final products with all kinds of different berries such as: spreads, jams, toppings, ingredients for ice-cream industry, fruit cubes for yoghurt production, etc.

Due to ideal climate conditions in southern Serbia, Serbian Oblacinska sour cherry reaches a global maximum of 19-21 briks. Depending on the season, annual export of Oblacinska is more than 90,000 tons and it is being used by all major European food-processing factories.

Plums occupy more than 50% of orchards in Serbia, namely 42 million trees. They are mostly used for production of domestic plum brandy internationally known as "sljivovica", while a minor part is used for drying and processing into plum jam and plum confiture, the most common breakfast sweet spread.

PRODUCTION VOLUME



vegetables

Paprika, cabbage, tomato and potato from Serbia are conquering foreign markets

Ideal climate for vegetable production makes Serbia the main exporter and supplier of the South Eastern Europe. The most popular vegetables produced in Serbia are: paprika (pepper), cabbage, tomato and potato.

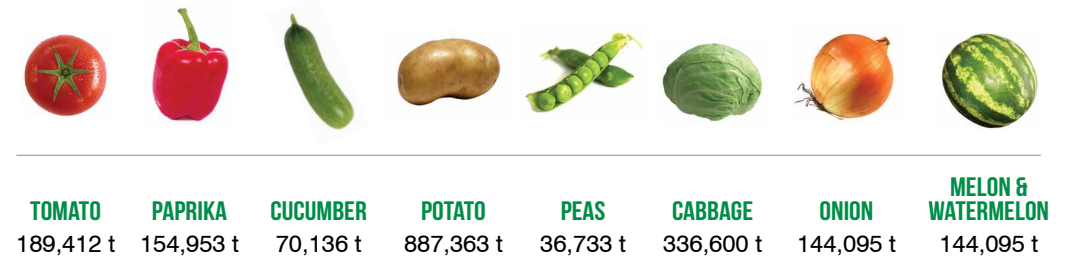
Pepper production is oriented towards pasteurized pepper in different forms: shredded, cooked and roasted. Due to dry matter in it, majority of red pepper is used for production of aromatic spices, but also for preparing a traditional Serbian winter dish - "Ajvar" spread. Ajvar is prepared using a special recipe, with red peppers and eggplants, and could nowadays easily be found on every continent. Serbia has two very famous markets and pepper production centres: Leskovac area for production of dry and fresh pepper and northern Serbia for production of mild, hot, and crushed pepper for industrial spices. EU food



processing industry is well acquainted with the quality of Serbian red pepper, as it is heavily using it for processing.

Region around the city of Futog is famous for producing cabbage good both to be used fresh and for further processing. For example, Futoski cabbage is perfect for making Sauerkraut.

PRODUCTION VOLUME



meatanddairyproducts

Serbian slaughterhouses and meat processing houses have a strong position on the CEFTA market

Livestock farming and meat processing in Serbia have a long tradition. The most popular meat products are fresh or smoked pork and beef, as well as poultry. At the same time, products such as pate, dry sausage of different types, hot dogs and smoked beef and pork are widely spread through all chains of supermarkets in the Balkan region.

Serbian slaughterhouses and meat processing houses have a strong position on the CEFTA market. However, Serbia's livestock has decreased over the last decade by 15 per cent on average, with lack of investments being one of the main reasons behind. That creates additional investment opportunities to match production capacities with the plenty of opportunity for further development of international placement. The most interesting market for Serbian producers of baby



beef is the European Union, where there is an annual quota for import of beef from Serbia set to 8,875 tons. Russian market also offers many opportunities. Fourteen Serbian slaughterhouses and dairy plants already acquired certificates for free export to the Russian Federation, with the plan of continuously raising this number in years to come. Most interesting products for the Russian market are pate, processed meat can, ready meals, chilled pork carcass and dry smoked meat.

Turkish market is also considered emerging for the Serbian meat producers. With the population of 77 million and free trade agreement signed between the two countries, export of fresh meat to Turkey is expected to rise on yearly basis.



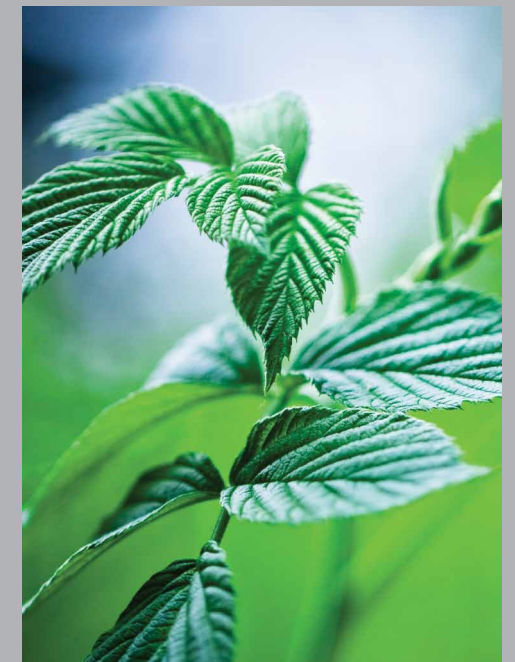
Dairy Products

Besides "kajmak", a creamy dairy spread originally made in Serbia, Serbia has various dairy products to offer internationally. Sour yoghurt, paprika in sour cream and white soft and hard chesses are among the most popular ones. All of these products originate straight from century long tradition of Serbian cuisine.

Fresh and pasteurized milk of the highest quality is mainly used for meeting high local consumption, but also easily finds export markets in the neighbouring Montenegro and Bosnia and Herzegovina. However, after stabilisation of the domestic dairy market, Serbian export companies



began to think more about conquering new markets, primarily Russia and Turkey, due toratified free trade agreementswith those countries. So far, "Feta" cheese, sour cream spread, hard cheese and goat cheesehave already found their customers on the demanding Russian market.



**plantsfor
medicaland
cosmeticuse**

Mint, chamomile, parsley, fennel, dill, melissa, basil, thyme, rose hip, milfoil, marshmallow, St. John's wort, lemon palm and sage plants are widely spread across Serbia. This pallet of herbs could be important raw material base for processing industry which could be settled in Serbia. At this moment,

all those plants are collected and exported to EU countries in raw material shape. Existing network of rare plants pickers is already established across all Serbia's fertile regions. Medical herbs could be found in natural surroundings, as well as cultivated on medium and big scale farms.



Serbia is one of the major producers of wine and spirits in South East Europe



wineandspirits

The history of Serbian wine and brandy crafts dates back to more than a thousand years ago. Today, Serbia is one of the major producers of wine and spirits in South East Europe. It produces 700 types of wine, with Tamjanika, Smederevka and Prokupac being indigenous kinds. The quality wine is produced in a large number of small private wine sellers, as well as in big wineries.

The natural diversity of climatic conditions in nine vineyard regions and sixty five vineyard valleys provide wines of Serbia with a special flavour, ranging from “wine from the sands” produced in Subotica-

Horgos region, through to the “two suns” wines of the Danube region (the sun from the sky and its reflection in the Danube). Wines from eastern Serbia are best represented by wines from Negotinska Krajina, just as unique taste of wines coming from Mt. Fruska Gora is highlighted in aromatic and sweet “Bermet” wine. Royal family Karadjordjevic cultivates wines in Oplenac region for generations. Nowadays, production capacity in Oplenac is huge and dominated by Prokupac, Vranac and Smederevka, indigenous varieties dominating the region. Mediterranean types of wines are grown widely in the south regions of Serbia.

A special kind of fruit brandy widely known as “Rakija” is produced in Serbia since the first half of the fourteenth century, when the Turks brought the technology of Rakija distillation from the Far East. Since that time, Serbian spirits have been bringing an immanent flavour of warmth for those who

love a refined taste, Serbian spirits are the perfect choice. Plum brandy called “sljivovica” could be found all across the world, due to its recognizable strong taste. Besides “Sljivovica”, fruit brandy made from apricot, quince, pear and grape are deeply rooted in the Serbian tradition.

organicfood



Serbia is blessed with climate and geographic conditions for cultivation of organic food

Serbia is blessed with climate, geographic position and other relevant preconditions for cultivation of organic food such as high percentage of rural population, large arable land without chemical treatments and the proximity of the EU, main organic food market.

Main Serbian organic products are:

- Grain and industrial plant: wheat, maize, barley, triticale, oat, rye, potato, flax, oilseed rape, sugar beet, sunflower, soy.
- Fruit: raspberry, cherry, blackberry, blueberry, apple, plum, peach, apricot, pear, quince, grape, sweet cherry, aronia.
- Vegetable: paprika, cabbage, zucchini, onion, carrot, cauliflower, broccoli, pumpkin, melon, watermelon.
- Livestock products.
- Honey, propolis.
- Fattened carp.
- Spice and medicinal herbs, wild as well as collected in natural conditions.

Serbia Organic Producers Union:

SERBIA ORGANICA

Serbia Organica is a national association for the development of organic production. It is an independent, non-government and non-profit organization which serves as a one-stop-information-shop for investors, advising on potential investment opportunities and partners.

Mission of the Union is to establish organic production as reliable and competitive agribusiness industry on domestic as well as on foreign market, but also to put 20% of agricultural land (1 million ha) under organic production over the next 10 years.

www.serbiaorganica.info



foodsafetystandards

HACCP certification is a mandatory precondition for export oriented food processing companies all across Serbia. Former Serbian Ministry of Trade, Agriculture, Forestry and Water Management conducted an initiative for a quick implementation of these standards. In that sense, Government of Serbia provides various types of grants for food production companies to help them acquire the necessary standards. Major European certification companies such as Evrocet, SGS, TUV Sava, TUV Nord, and Bureau Veritas have their offices in Serbia along with the domestic certification bodies. Majority of export oriented companies possess ISO 9001:2008, 14001:2008, 22000:2009, BRC, IFS, Halal, Kosher, or GOST-R, depending on the buyer's demand and quite a few of them have already implemented Global Gap.



Institute for Vegetable Crops,

<http://www.institut-palanka.co.rs/eng/>

Given its staff structure, number of new vegetable varieties created and its importance in the market, the Institute is one of the leading scientific and seed production institutions in Serbia today. Research programs of the Institute are focused on genetics and breeding of vegetable crops, vegetable physiology, agro-technic, and vegetable phytopathology. Research is based on most up to date scientific achievements and is guided by a practical use of the results.

The Institute gave rise to a large number of researchers that have given a great contribution to the development of vegetable crops in Serbia, either through scientific work or creation of new varieties and hybrid vegetables. Since its foundation in 1946, the Institute has developed around 150 new varieties and hybrids, especially those of paprika and tomato which are marketed in the country, Bulgaria, Romania, Ukraine, Belarus, FYR Macedonia, Croatia and Albania.

Maize Research Institute,

<http://www.mrizp.rs/o-nama-en.php>

Maize Research Institute is the leading research and development organization in Serbia in the area of development, production and introduction of new high-yielding, quality maize hybrids and soybean cultivars suitable for different growing conditions, purposes and needs. Institute is also engaged in production of seed for ZP maize and sunflower hybrids, soybean cultivars, wheat varieties, and commercial field crops. Institute owns the Maize Gene Bank with more than 5,500 accessions of local and introduced maize genotypes, seed processing plant with an annual capacity of 8,700 t, six research laboratories and 1,400 ha of arable land. Institute employs 364 people, out of which 30 PhDs and 14 MSc.

Fruit Research Institute,

<http://www.institut-cacak.org/index.php?lang=en>

The Institute is seated in a renowned fruit growing region in which the first Serbian fruit and grapevine

nursery was established in 1898. The origin of the Institute dates back to 1946, while it operates in current organization since 1991.

Principal activity of the Institute is the scientific work and research in the field of fruit culture - research and experimental development in biotechnology. The Institute performs biological and ecological research of fruit trees, genetic research and development of new fruit varieties, as well as their selection and introduction. Production and maintaining of pre-basic and basic certified fruit planting material, VCU and DUS tests, collection and research of domestic and introduced fruit varieties for the purpose of gene bank, transfer and implementation of scientific and technology solutions wrap up the process.

Institute of Field and Vegetable Crops

<http://www.nsseme.com/en/>

In 1938, the Ministry of Agriculture of the Kingdom of Yugoslavia founded an agricultural research and

control station in Novi Sad which, over time, grew into Institute of Field and Vegetable Crops. Presently, the numerous breeding programs and efficient extension service place the Institute in the forefront of the Serbian and international agricultural science.

Fundamental and applied research programs are primarily focused on development of field and vegetable crop cultivars including forage and industrial crops, medicinal plants and spice herbs, while the breeding programs place emphasis on high yielding capacity, tolerance to major diseases and resistance to unfavorable biotic and non-biotic factors.

So far, over 1,000 cultivars of field and vegetable crops have been developed by the Institute. Of that number, almost 500 have been registered and commercially grown abroad. The Institute places its cultivars on the most demanding foreign markets through commercial seed sales, parent seed sales and license agreements. The institute's cultivars compete for their place at seed markets of 26 countries, from Argentina, through EU countries, Ukraine and Russia, to China and India.

aboutsiepa

www.siepa.gov.rs

SIEPA was established more than a decade ago and entrusted with the mission to support foreign companies seeking to set up or expand their presence in Serbia and Serbian companies doing business abroad. Today, a staff of nearly 50 multilingual employees handles projects from and to all over the world.

We provide professional services to companies interested in setting up business operations in Serbia, focusing on all relevant issues in their decision making process. Our staff is ready to offer information on the general investment environment as well as targeted legal and industry-specific advisory services. Our network of contacts provides links to all levels of government as well as private service providers. By administering the financial incentives program offered by the government, we have supported opening of more than 40 thousand new jobs since the launch of the program in 2006. At the same time, we have technically and financially supported thousands of Serbian companies in increasing their competitiveness at global markets.

SIEPA's work is widely recognized, with World Bank's MIGA ranking SIEPA among the top five IPAs of developing and countries in transition topping the list of our international acknowledgements. The list of our clients includes Fiat, Benetton, Panasonic, Bosch and many other global and regional industry leaders.

We invite you to contact our expert staff which is ready to assist you in developing your business in Serbia. Working with us is simple, easy, and still costs nothing.



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