
HARMONIZATION OF THE AGRICULTURAL POLICY OF THE REPUBLIC OF SERBIA WITH THE AGRICULTURAL POLICY OF THE EUROPEAN UNION

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ABSTRACT

This paper focuses on agricultural policy as a set of measures that influence the functioning, growth, and improvement of agriculture in a country like the Republic of Serbia. Serbia's agricultural policy is intertwined with various national policy activities and depends on the common budget resources, facing constant pressures and challenges. The key objective is to analyze the alignment of Serbia's agricultural policy (SAP) measures with the agricultural policy of the European Union. The results of this research indicate that although the SAP has experienced decline and serious crises, structural and systemic changes in agricultural policy have occurred in recent years through integration, the adoption of standards and regulations, and significant financial investments. Harmonization with EU laws, accompanied by increasing financial assistance, enables further development of Serbia's agricultural policy. However, several limiting factors still exist in Serbia concerning alignment with the EU's agricultural policy, such as the unfavorable position of rural areas, low educational levels of the population, and depopulation of rural regions.

Introduction

The surplus in the agricultural sector has a positive influence on the economic growth of the Republic of Serbia. Consequently, increasing emphasis is placed on the proper

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implementation of agricultural policy procedures and the funding of this sector. In recent years, it has been observed that the primary reason for the uneven and discontinuous progress of the agricultural area is an inadequate set of financing measures. For future optimal growth and development of agriculture, as well as for increasing its efficiency and productivity, increased investments with adequate state support are essential. The current state of the agricultural sector indicates the necessity for additional financial resources from Serbia's overall budget and using other financial tools such as IPA and IPARD programs. Over the past decades, the agricultural sector has stagnated due to various institutional and economic factors.

The SAP was presented through its institutional framework, strategic documents, analysis of the present condition, and financial measures. The purposes are to determine the level of alignment between SAP's and the European Union's agricultural policy by examining the functioning and funding mechanisms of SAP's as supported by the EU.

The research questions explored in the paper are as follows:

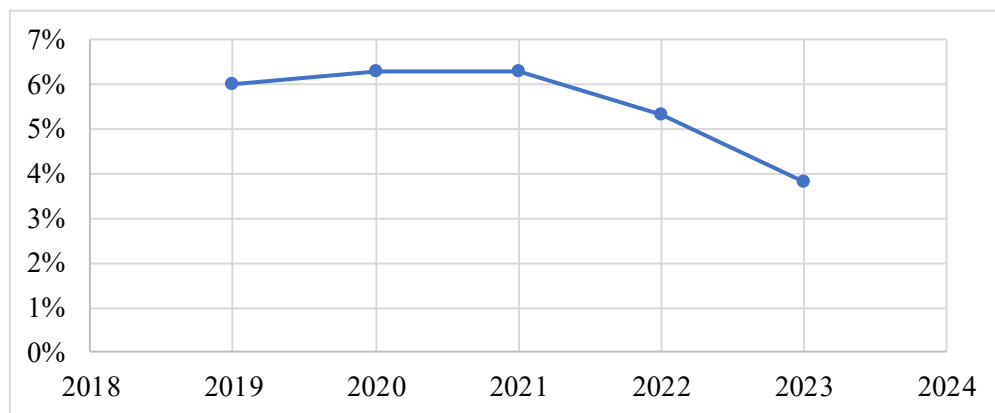
1. What is the current state of the SAP?
2. What are the EU's methods of financing SAP's, and how do they impact agriculture?
3. To what extent is current SAP aligned with the EU's agricultural policy?
4. What are the major challenges SAP has faced in recent years?

The contribution of this research lies in analyzing the current state of Serbia's agricultural sector and agricultural policy, as well as examining its alignment with the EU's agricultural policy. Since IPARD III is in effect until 2027, it is crucial to analyze the measures and their impact on Serbia's agricultural sector for the entire previous four-year period (2021–2025). Previous studies focused on analyses up to 2021, primarily addressing the impact of COVID-19 on Serbia's agricultural sector and exploring effective crisis management solutions. Considering that the European Union was also in crisis during this period, neither positive financial assistance effects nor alignment of common policies at the desired level could be expected.

Theoretical background

Agricultural Policy of the Republic of Serbia - Current Status and Institutional Framework

Agriculture is a noteworthy economic sector in the Republic of Serbia, owing to the country's ample cultivated land and auspicious natural environments (Đurić, 2021; Babić et al., 2022). In line with this, the following graph illustrates the contribution of SAP to GDP from 2019 to 2023.

Figure 1. Contribution of SAP in GDP (2019-2023)

Source: Government of the Republic of Serbia. (2024). Republic Statistical Office. <https://data.stat.gov.rs/Home/Result/0902010301>

Based on Figure 1, it can be concluded that the highest contribution of SAP to GDP occurred in 2020, and 2021. This is unsurprising given the widespread impact of COVID-19, which had a particularly adverse effect on other economic sectors during this period. The relatively high contribution of agriculture to GDP during and after the pandemic was also supported by the slow and unbalanced development of secondary and tertiary sectors in subsequent years.

The preceding graph is supplemented by import and export data by sectors and industries for 2023 and 2024. This data aims to determine the trade balance, as well as surpluses or deficits in these years by sector, leading to conclusions about the influence of SAP on the overall economy of the Republic of Serbia.

Table 1. Imports and Exports by Economic Sectors (2023 and 2024)

Economic Sectors in the Republic of Serbia	Imports (in billion RSD)		Exports (in billion RSD)		Balance (in billion RSD)	
	2023	2024	2023	2024	2023	2024
Agriculture, Forestry and Fishing	115,7	149,1	114,6	142,1	1,1	7,0
Mining	169,9	187,8	454,3	390,0	-284,4	-202,2
Manufacturing Industry	2.893,5	2968,7	3.126,6	3.384,7	-233,1	-416,0
Electricity, Gas, and Steam Supply	149,4	79,9	91,9	76,2	57,6	3,7
Water Supply and Waste Management	19,5	20,9	19,2	23,0	0,3	-2,1
Information and Communications	9,4	7,8	10,9	9,1	-1,5	-1,3

Economic Sectors in the Republic of Serbia	Imports (in billion RSD)		Exports (in billion RSD)		Balance (in billion RSD)	
	2023	2024	2023	2024	2023	2024
Professional, Scientific, Innovation, and Technical Activities	0,0	0,0	0,0	0,1	0,0	-0,1
Arts, Entertainment, and Recreation	0,1	0,2	0,1	0,1	0,1	0,1
Unclassified by Production Principle	0,1	0,1	504,6	544,3	-504,1	-544,2
Total	335,7	3.414,6	4.322,2	4.569,5	-964,5	-1.155,0

Source: Government of the Republic of Serbia. (2024). Republic Statistical Office. <https://www.stat.gov.rs/oblasti/spoljna-trgovina/spoljnotrgovinski-robn-promet>

The imports of the agriculture, forestry, and fishing sectors in 2024 were higher than in 2023, as was its exports. Despite not achieving the highest export figures compared to other industries, such as manufacturing, agriculture achieved the largest surplus in 2024, amounting to 7 billion RSD, surpassing other sectors. This was not the case in 2023, where the sector with the highest surplus was electricity, gas, and steam supply, with a significant 57.6 billion RSD surplus.

In recent decades, a lack of a consistent agricultural policy and strategy that aligns with the EU's agricultural policy has been observed. The absence of such strategic alignment has restricted the growth of Serbia's agricultural sector's competitiveness while maintaining an unpredictable and unstable budget framework (Semečenko et al., 2021). To create and implement an optimal agricultural policy, coordinated actions involving numerous stakeholders are necessary, accompanied by a comprehensive set of laws fostering a favorable institutional environment (Radović et al., 2024). Legislative regulations and the effective operation of institutions are critical to the success of agricultural policy (Pejanović & Radović, 2011; Vapa-Tankosić & Stojisavljević, 2017). The Law on Agriculture and Rural Development (https://www.paragraf.rs/proposi/zakon_o_poljoprivredi_i_ruralnom_razvoju.html) outlines the objectives of agricultural policy, rural development, methods for achieving these goals, agricultural registration, and supervision of the law's implementation. Over the past five years, agricultural policy measures in Serbia have aimed at the following: growth in production and income stability for producers, increased competitiveness with market adaptation, technical and technological advancement of the agricultural sector (Milošević & Milić, 2024; Radović et al., 2024).

Agriculture in Serbia faces both internal and external challenges that must be addressed to ensure its continued development (Vujičić et al., 2012; Đurić, 2021). Internal challenges faced by agriculture are: sustainable resource management, knowledge transfer and technological advancement, enhancing competitiveness, logical support for the agricultural sector strengthening the social structure (Bogdanov et al., 2017; Đurić et al., 2019). In addition, agriculture is also exposed to external challenges, which

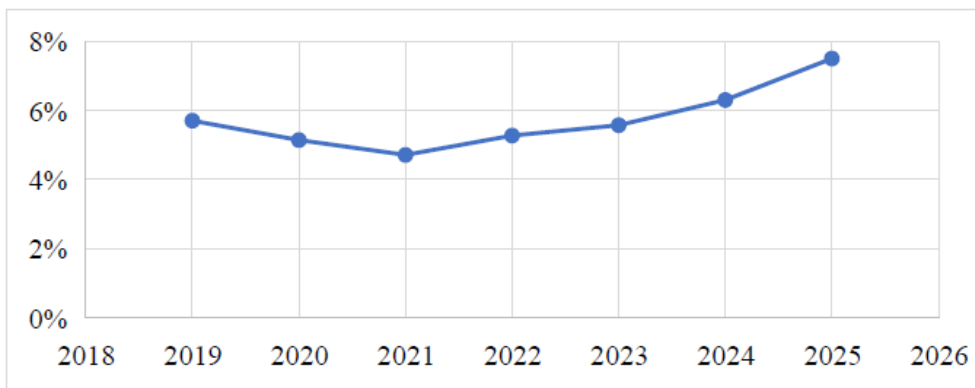
include: climate change, economic globalization, potential World Trade Organization (WTO) membership, common Agricultural Policy (CAP) requirements as part of EU integration and obligations placed on Serbia and other potential EU member states (Blanuša et al., 2021; Simić et al., 2021).

Funding Measures for SAP

The analysis of the current state of agriculture, along with its potential and specific needs in rural areas, financial measures are primarily directed at fostering and maintaining competitiveness in the agricultural sector (Kuzman et al., 2017). Financial measures within Serbia's agricultural policy address the need to strengthen the economic and social position of agricultural regions (Đurić, 2022). Agricultural incentives are categorized into the following financial measures: direct incentives, market incentives, and structural incentives, all of which are available for use by agricultural producers (Stanković et al., 2023). Direct incentives are provided directly to agricultural producers, market incentives are implemented through export support, storage cost subsidies, or credit assistance, while structural incentives include rural development measures, initiatives to improve and protect soil quality, and institutional support measures. (Dimitrijević, 2023).

The share of the SAP's budget overall budget varies from year to year, typically ranging between 4.5% and 6% in recent years. Notably, the 2025 national budget allocated 7.5% to agriculture, marking the highest percentage of budgetary allocation for the agricultural sector in the past seven years.

Figure 2: Budget Allocations for SAP (2019-2025)



Source: Government of the Republic of Serbia (2018-2024). Budget Law of the Republic of Serbia for the Period 2019-2025, Official Gazette of the Republic of Serbia. <https://www.paragraf.rs/propisi/zakon-o-budzetu-republike-srbije.html>

The structure of SAP budget varies, but a consistent growth trend has been observed from 2021 to 2025. However, the level of financial funding allocated to the SAP is more reflective of Serbia's economic circumstances than the actual needs of agriculture, which requires substantially higher financial resources (Đurić, 2021; Đurić, 2022; Stanković et al., 2023).

Budgetary allocations for agriculture predominantly consist of funds directed toward agricultural and rural development incentives, regulated by the Law on Agricultural and Rural Development Incentives (https://www.paragraf.rs/propisi/zakon_o_podsticajima_u_poljoprivredi_i_ruralnom_razvoju.html). The law also specifies the procedures for using these incentives, general eligibility conditions, and minimum incentive amounts. The specific incentive amounts and budget allocations per type of support, including maximum funds for each measure, are defined annually (<https://pravno-informacioni-sistem.rs/eli/rep/sgrs/vlada/uredba/2024/3/1/reg>). Detailed conditions and criteria for specific measures are outlined in bylaws and other secondary legislation. Direct payments are the most significant component of agricultural and rural development incentives, accounting for approximately 87% of allocated funds (Radičić, 2022; Paraušić, 2023). The SAP, despite being a significant factor in the overall national economy, does not show sufficient capacity utilization (Novaković, 2018).

The adoption of legal and strategic expansion documents has contributed to clearer and more structured grouping of measures within different types of support (Đurić et al., 2021). At the same time, there has been an expansion of support types and an increase in the number of potential beneficiaries, aiming to align Serbia's national agricultural and rural development policies with the EU's Common Agricultural Policy (CAP) (Stanković, 2012; Stanković et al., 2023). Further state involvement is necessary to increase agricultural production efficiency. As the leading actor in shaping economic policies related to agriculture, the state plays a significant role in maintaining production levels at the desired standard (Dimitrijević, 2024).

Discussion

Agricultural Policy of the EU

The Common Agricultural Policy (CAP) focuses on agricultural development and rural growth (Cvijanović et al., 2011; Lakić, 2021; Nikolić Popadić & Milenković, 2023). In modern conditions, CAP represents a multifaceted scheme of legal guidelines, budgetary funding, and straight municipal interventions that influence the rural communities (Đurić, 2021). The efficiency of CAP lies in jointly formulating objectives and synchronizing the timing and application of agricultural measures. This is crucial considering the vast number of farmers in the EU, who operate at varying levels of social and economic development (Dabović, 2024). Furthermore, CAP constitutes the largest portion of the EU budget (Donald et al., 2002; Fusco, 2021; Vučkovski et al., 2024). The financing sources for CAP include: agricultural levies, fixed shares of member states' GDP, custom duties and value-added tax (VAT). Among these, the fixed GDP

share of EU member states is the primary funding source (Runge et al., 2022; Cuadros-Casanova et al., 2023). CAP's financial system includes import tariffs, import quotas, production quotas, intervention prices, and direct payments to producers (Homet et al., 2024). The key determination of CAP is to benefit both producers (farmers) by ensuring income stability and consumers by providing high-quality, affordable products (Menning, 2024). The primary objectives of CAP for the period 2021-2027 include: enhancing competitiveness: knowledge transfer, modernization, risk managing and collaboration across food production, and distribution chains; promoting sustainability: green expenses, resource productivity and explore initiatives; increasing efficiency: rearrangement of capitals, targeted resource allocation and simplification of procedures (Đurić et al., 2021; Heyl et al., 2021; Homet et al., 2024).

In previous years, financial allocations for CAP were significantly higher. However, the COVID-19 pandemic led to reduced investments (Bisoffi et al., 2021). The modernized long-term budget, proposed by the International Monetary Fund, allocates 31.9% of the EU's budget to CAP for 2021-2027 (Cuadros-Casanova et al., 2023). Significant investments have been allocated for: environmental protection and recovery facilities, research and innovation programs, neighborhood, development, and international cooperation initiatives and regional policy measures, etc (Erjavec et al., 2017; Ristić et al., 2022).

Table 2. Absolute and Relative Participation of Individual Investment Categories in the CAP Fund of the EU

Categories	Absolute Participation (in Millions of Euros)	Percentage Participation
Environmental Protection and Recovery Facilities	195,6	35%
EU Investment Program	2,7	1%
European Agricultural Guarantee Fund	95,4	17%
European Agricultural Fund for Rural Development	48,9	9%
Draft Program for Research and Innovation	32,2	6%
Neighborhood, Development, and International Cooperation	27,9	5%
Regional Policy	80,4	14%
Other	73,8	13%
Total	556,9	100%

Source: European Commission (2024). Budget Funds for the Common Agricultural Policy.
https://agriculture.ec.europa.eu/common-agricultural-policy/financing-cap/cap-funds_en

The table 2 shows that the largest investments are directed toward environmental protection and recovery facilities, accounting for slightly over one-third (35%) of the budget, followed by the European Agricultural Guarantee Fund, which comprises almost one-fifth (17%). These two categories alone absorb more than 50% of the total funds from the modernized long-term budget.

Although 99.1% of the CAP budget, including income support, market measures, and rural development funds, operates below joint organization among the European Commission and EU, the European Commission maintains a superintendent character (Dabović, 2024; Schiavon et al., 2021). The Commission ensures compliance with management and control system arrangements by: verifying the efficient operation of the system and applying financial corrections where necessary.

Table 3. Budgetary Allocations for the CAP of EU (2023-2027)

Draft Budget (in Millions of Euros)					Total (2021- 2027)	Share in Total Expenditures (%)	Targeted Share in the Basic Act (%)
2023.	2024.	2025.	2026.	2027.			
12.880,3	24.168,1	24.168,1	24.168,1	24.168,1	144.320,9	37%	40%

Source: European Commission (2024). Budget Funds for the Common Agricultural Policy.
https://agriculture.ec.europa.eu/common-agricultural-policy/financing-cap/cap-funds_en

It can be observed that an increase in the budget for the CAP is planned for 2024 to 2027, while the funds allocated for 2023 are somewhat lower related to the previous period. This is a draft budget for the upcoming period, not the final version. Adjustments may be made through budget revisions if necessary.

Measures to Improve SAP Financing Based on EU Programs

The EU provides embattled and efficient funding conditional on the developmental trajectory and membership status of candidate countries (Pavlović, 2024). A prerequisite for accessing financial resources is membership status and an accredited DIS (Decentralized Implementation System) approved by the European Commission (Radović, 2015; Đurić et al., 2021). Funds are allocated grounded on a prearranged and detailed database aligned with the urgencies outlined in the EU's deliberate permits (Đurić et al., 2020). These programs follow a development series module with five stages: software design, identification, preparation, application, and valuation, and revision. Candidate countries are separated into two clusters: membership applicants: Iceland, Turkey, Croatia, and North Macedonia (*Some of these countries have since become full EU members*) and potential applicants: Serbia, Montenegro, Bosnia and Herzegovina, Albania, and Kosovo (as per UN resolution 1244) (*Some of these countries have since become full EU members*) (EU Pre-Accession Assistance Handbook, 2011, p. 7). Serbia's agriculture and rural regions face numerous challenges that hinder economic growth and obstruct progress toward EU membership (Đurić et al., 2021).

The Instrument for Pre-Accession Assistance (IPA) is a unique EU financial instrument established by Council Regulation No. 1085/2006 (<https://www.mei.gov.rs/srp/fondovi/fondovi-evropske-unije/ipa-instrument-za-pretpriustupnu-pomoc/instrument-za-pretpriustupnu-pomoc-2021-2027/>). Decentralized management of IPA funds is only approved if minimum requirements described in the annex of the IPA Implementation

Regulation are met (<https://mfin.gov.rs/propisi/uredba-o-upravljanju-programima-pretpristupne-pomoi-evropske-unije-u-okviru-instrumenta-za-pretpristupnu-pomo-ipa-iii-za-period-20212027-godine>).

The following table presents the budgets approved under the financial plans for IPA I, IPA II, and IPA III programs. The budget for IPA III (2021-2027) is €14.1 billion, as outlined in the new financial plan.

Table 4. IPA Budget Allocation (2007-2027)

Period	Budget (in Billion Euros)
2007-2013 (IPA I)	11,5
2014-2020 (IPA II)	12,8
2021-2027 (IPA III)	14,1

Source: European Commission (2024). Budget Funds. https://commission.europa.eu/strategy-and-policy/eu-budget/performance-and-reporting/programme-performance-statements/instrument-pre-accession-assistance-ipa-iii-performance_en#budget

By reviewing Table 4, it can be concluded that the budget for the IPA is increasing and has reached its highest level under the new financial plan for the period 2021-2027.

The analysis reveals that the budget for the Instrument for Pre-Accession Assistance (IPA) has increased and is at its highest level for the period 2021-2027 under the new financial plan. IPA III objectives are to: stimulate long-term economic recovery, support green and digital transitions and remote regional integration and alignment with the European Union (<https://mfin.gov.rs/propisi/uredba-o-upravljanju-programima-pretpristupne-pomoi-evropske-unije-u-okviru-instrumenta-za-pretpristupnu-pomo-ipa-iii-za-period-20212027-godine>). Funds financed by IPA are managed in two primary ways: direct management: the budget is straight implemented by the European Commission without the involvement of nationwide establishments; indirect management: the execution of the budget is delegated to designated entities such as: member state agencies, international organizations and specialized (but non-executive) EU agencies (Pishgar-Komleh et al., 2021). The ultimate goal of IPA is to establish indirect management as the norm over time. Tasks can also be substitute to EU member when cross-border assistance with EU is involved (Đurić, 2021).

Table 5 presents the planned annual allocations in millions of euros for the period 2021-2027.

Table 5. Planned IPA III Allocations by Sectors for the Period 2021-2027

Sector	2021.	2022.	2023.	2024.	2025.	2026.	2027.
	Budget (in Millions of Euros)						
Rule of Law and Democracy	281	287	292	298	304	310	317
Governance, Good Neighborly Relations, and Strategic Communication	308	314	321	327	333	340	347
Green Agenda and Sustainable Development	788	804	820	837	853	870	888

Sector	2021.	2022.	2023.	2024.	2025.	2026.	2027.
	Budget (in Millions of Euros)						
Competitiveness and Inclusive Growth	414	422	431	440	448	457	467
Territorial and Cross-Border Cooperation	65	66	58	69	71	72	73
Total	1.855	1.894	1.932	1.971	2.010	2.051	2.093

Source: European Commission (2024). Budget Funds.

https://commission.europa.eu/strategy-and-policy/eu-budget/performance-and-reporting/programme-performance-statements/instrument-pre-accession-assistance-ipa-iii-performance_en#budget

According to the IPA III plan for the period 2021-2027, the largest share of funds (42%) is allocated to the Green Agenda and Sustainable Development (https://commission.europa.eu/strategy-and-policy/eu-budget/performance-and-reporting/programme-performance-statements/instrument-pre-accession-assistance-ipa-iii-performance_en#budget). An analysis of the “Total” position in Table 5 shows that allocations are expected to increase each year.

IPARD is one of the components of the IPA and was initially designed solely for EU membership candidate countries (Gajić, 2023). However, over time, potential candidate countries have also been included. The IPARD instrument focuses on three main areas (Glušćević et al., 2017). Within these axes, various measures are distinguished to achieve the objectives of this instrument. Preparatory activities for implementing measures are environmental and rural landscape measures and preparing local public-private partnerships for the implementation of development strategies (Prodanović et al., 2018). Rural economic development includes development and growth of rural infrastructure, modification of rural financial activities and training and technical support (Stojanović et al., 2018; Dabović, 2023). In early 2021, the European Commission approved the IPARD III program for SAP for 2021-2027, with a total value of €288 million.

Table 6. IPARD III Budget Allocations for Serbia (2021-2027)

Year	2021.	2022.	2023.	2024.	2025.	2026.	2027.	Total
Planned Allocations (in Millions of Euros)	20	25	31	43	54	57	58	288

Source: Ministry of Agriculture, Forestry, and Water Management (2022). IPARD III Budget Allocations for the Republic of Serbia. <https://ipard.rs/ipard-mera-3>

Based on Table 7, budget allocations have increased annually. The funds are directed toward seven areas.

Table 7. Areas Targeted by IPARD III Budget Allocations for the Republic of Serbia (2021-2027)

Areas Where Measures Will Be Implemented	Budget (in Millions of Euros)	%
Investments in Physical Resources of Agricultural Holdings	86,4	30%
Investments in Physical Resources for Processing and Marketing of Agricultural Products	60,5	21%
Agri-Environment Measures – Climate and Organic Agriculture Focus	14,4	5%
Implementation of Local Development Strategies	14,4	5%
Investments in Rural Public Infrastructure	51,8	18%
Farm Diversification and Business Development	51,8	18%
Technical Assistance	8,7	3%
Total	288	100%

Source: Ministry of Agriculture, Forestry, and Water Management (2022). IPARD III Budget Allocations for the Republic of Serbia.

<https://ipard.rs/ipard-mera-3>

The table indicates that from 2021 to 2027, the largest investments will be allocated to: Physical resources of agricultural holdings (30%) and Physical resources for processing and marketing of agricultural products (21%). These two categories together account for over 50% of total investments, amounting to €146.9 million.

Table 8. Areas Targeted by IPARD III Budget Allocations for the Republic of Serbia in 2025

Areas Where Measures Will Be Implemented	Budget (in Millions of Euros)	%
Investments in Physical Resources of Agricultural Holdings	7,93	47%
Investments in Physical Resources for Processing and Marketing of Agricultural Products	1,17	7%
Procurement of Machinery, Equipment, and Mechanization	1,20	7%
Farm Diversification and Business Development	6,54	39%
Total	16,76	100%

Source: Ministry of Agriculture, Forestry, and Water Management (2022). IPARD III Budget Allocations for the Republic of Serbia. <https://ipard.rs/ipard-mera-3>

The largest investments shown in Table 8 are allocated to: investments in physical resources for processing and marketing of agricultural products (47%) and Farm diversification and business development (39%). Beyond the announced 2025 budget, it is crucial to monitor the results directly influenced by these financial allocations. Future research should focus on assessing the effects derived from the subsidization measures to better understand influence on the agricultural sector.

Misalignment Between the SAP and EU

Several limiting factors contribute to the misalignment between SAP and CAP. These include: unfavorable position of rural areas, very low levels of education in rural regions, fragmented land ownership, low processing capacities and insufficient technical and technological equipment (Dimitrijević, 2023). To overcome these challenges, Serbia has implemented the project “Strengthening and Aligning Administrative Capacities for Establishing Agricultural Market Regulation”, financed through the EU IPA. This project underscores the EU’s ongoing support for Serbia’s European integration process and its efforts to align SAP with the EU framework. The project includes activities focused on six key components aimed at strengthening the SAP in line with the EU’s common agricultural market organization and agricultural policies (<https://www.minpolj.gov.rs/realizacija-tvining-projekta-jacanje-i-uskladjivanje-administrativnih-kapaciteta-za-ustpostavljanje-uredjenja-trzista-poljoprivrednih-proizvoda-znacajan-korak-u-uskladjivanju-sektora/>).

Considering the importance of agriculture as a key economic sector in Serbia, it is of crucial importance that the state effectively responds to the challenges it faces (Zelenović et al., 2018; Aničić & Paraušević, 2020; Stanković et al., 2023). By adopting the EU agricultural policy and legislative framework, Serbia could create a stable business environment and achieve the highest levels of efficiency and competitiveness (Nikolić Popadić & Milenković, 2023). The Ministry of Agriculture, Forestry, and Water Management plays a decisive role in Serbia’s EU accession process. It is responsible for aligning SAP’s with the EU’s legal framework and ensuring the implementation of the required regulations (Blanuša et al., 2023). European Union has provided significant support and assistance to Serbia in aligning with CAP standards and is committed to continuing this support at least until 2027 (Pavlović, 2024).

Conclusion

To align the SAP with the EU CAP, it is essential to adapt its laws, regulations, institutional measures, and documents to EU agricultural system standards. This would provide long-term perspectives and growth opportunities for Serbian farmers. In 2025, Serbian farmers were provided opportunities to develop processing capacities, improve equipment, diversify, and enhance their agricultural enterprises. However, a significant concern is the potential elimination of certain subsidies, both by the Serbian government (due to budget cuts in the agricultural sector) and the European Union. Such reductions would negatively impact further harmonization and development of Serbia’s agricultural policy, possibly widening the gap between Serbia and the EU regarding agricultural alignment.

To overcome these challenges, it is crucial to establish competitive and self-sustainable agricultural enterprises and organizations by investing in processing capacities and focusing on the production of value-added final products for consumers. Key recommendations include: subsidization Focus: Direct future agricultural subsidies

toward fostering innovation, modernization, and technological advancements through digitalization to keep Serbia's agriculture competitive with the EU and global standards; application of knowledge and best practices: address both regulatory and practical issues by applying positive business practices and expert knowledge; youth engagement and rural development: offer adequate support to attract young people to agriculture and rural areas, positively influencing the development of agricultural and other rural activities.

To further align SAP with EU agricultural policy, it is necessary to develop additional subsidization models. Horizontal and vertical networking could enhance financing, ultimately increasing production, dispensation, and the construction of value-added goods for end consumers while also boosting exports.

Conflict of interests

The authors declare no conflict of interest.

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