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Can the small-scale cooperatives in Serbia be successful organic producers?

Kan de småskaliga kooperativen i Serbien bli framgångsrika ekologiska producenter?

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ABBREVIATIONS

SOIR: Swedish Organisation for Individual Relief
IM: SOIR in Swedish; (Individuell Människohjälp)
SHIP: SOIR in Serbian; (Svedska Humanitarna Individualna Pomoc)
ODRAZ: Former SHIP/IM Serbia
IMF: The International Monetary Fund
EU: The European Union
EC: European Communities (EG in Swedish)
GDP: Gross Domestic Product
SIDA: Swedish International Development cooperation Agency
SMC: Swedish Mission Council, SMR in Swedish (Svenska missionsrådet)
GLOBALGAP: The Global Partnership for Good Agricultural Practice
EUREGAP: European Good Agricultural Practices
IFOAM: The international Federation of Organic Agriculture Movements
MOAN: Mediterranean Organic Agriculture Network

SUMMARY/ SAMMANFATTNING

SUMMARY

This thesis is part of the evaluation of a development project in Serbia, where cooperatives have been formed in order to make the members support themselves trough organic farming. The purpose of the paper has been to find out if the goal of making the current members and potential new members able to support themselves on what the cooperatives produce, has been reached. The goal is to be considered as partly fulfilled; according to the last annual report from Odraz, "the registered cooperatives have become fully functional and stable and they have started making some modest profit."…"the majority of the beneficiaries think that they are self-reliant"[…]. In order to find out what is required in order to fulfil the established goal entirely, (for example there are no reports of that new members have been recruited, and the fact that most, not all, current members of the cooperatives (the beneficiaries) say that they are supplied from what the cooperatives produce), I have tried to identify the conditions which the cooperatives operate under. The basis of the paper consists of a literature review, interviews with the directors of the cooperatives, a questionnaire dealing with the business environment and various external sources in Serbia.

The members have received training, but with some doubt regarding its applicability, according to the enquiry performed by Odraz. Study circle/adult education classes and similar can be a good way to supplement and to further develop these skills, however, the access to these and other higher educational forms remain unclear according to the business climate enquiry. Knowledge of what the market demands, laws and regulations from government agencies, certification bodies and research within the profession requires constant updating. The access to media is high, as well as information provided through counselling according to the business climate enquiry, however, the members lack information gained through research. Media independence in Serbia should not be considered as a matter of course according to the literature review.

A safe home-environment is a necessity for the members in order for them to have full focus on the running of the cooperatives. This need is to be considered fulfilled when the members got their houses. According to the business climate enquiry, the members have high confidence in their neighbours, associations, police and judiciary, aid organizations, salesmen and local and national policymakers. By contrast, confidence in the banks is low or non-existent. The confidence of purchasers is unclear. According to the Odraz enquiry, there is a problem with the members' (especially the women's) lack of motivation to participate in practical work of the cooperatives. This and inner conflicts pose a threat to the existence and development of the cooperatives.

According to the literature review, financial aid is available in form of subsidises from the government and probably also from the EU in the future. According to the business-climate enquiry, the members lack access to incentives, inspiration and new impressions from special interest organizations. They also lack inspiration and new impressions from trade fairs, exhibitions and conferences. Whether there are incentives from banks, the EU, politicians, businesses and the society in general is unclear according to the business climate enquiry. To

what degree the later ones affect the members is unclear according to the business climate enquiry.

Drought, late frost, wind, hail and the humid climate may be challenges, according to the interviews with the directors of the cooperatives, but otherwise, the climate is an asset, the quality of the soil is very high and there is enough water of good quality, according to the literature review. However, the cooperatives limited access to arable land can restrain the development of the cooperatives. A large part of the farms in Serbia is small and fragmented according to the literature review. This could be a disadvantage for Serbia and the cooperatives in the competition with the outside world because the inefficient use of the arable land that could mean higher costs, according to the literature review. A future possible membership in the EU is supported by a convincing majority of the members according to the business climate enquiry, which is a higher share than in the rest of the country.

The process to certify the cooperatives has taken a long time, but it is a necessity that allows them to get a higher price for their products.

The cooperatives' access to capital and land can be a crucial factor for their survival, but the availability of these factors is unclear according to the business climate inquiry.
According to the same enquiry, the availability of skilled workers is low. This does not affect the development of the cooperatives at the moment, but may become a limiting factor in the future. It is unclear according to the business climate enquiry, if gender, origin, language, religion, or lack of childcare is an obstacle in order for people to get a job. The availability and quality of the infrastructure in all its forms may be well below the known, both according to the literature review and the business climate enquiry. This constitutes a clear obstacle to the development of cooperatives.

The outlet possibilities for the cooperatives' products in the domestic market is according to the business climate enquiry high, while no conclusions can be drawn regarding their attitude towards the global market. However, a number of things indicate that there is no domestic market in Serbia at present according to the literature review, and it seems like the cooperatives have no alternative than to try to export their products if they still want to produce organically. Storage facilities may have to be required if they are to offer the purchasers the continuity, quality and quantity that they demand, according to the literature review. At present, refinement of the products do not appear to be an alternative, the volumes are too small.

The project can from many perspectives be considered successful. The factors which the members of the cooperatives feel that they lack are all external circumstances that IM-SOIR has no influence over. In my opinion their followers, Odraz need to continue to be a link between the cooperatives and authorities, the certification company, purchases and banks. In the absent of special interests organizations, they need to ensure that the cooperatives remaining needs get attention from those decision makers who can change the situation, and thereby raise the cooperatives capability to support current and future members. The cooperatives are not yet able to do all that on their own.
To sum it all up, the domestic market was quite overrated when the project was planned and that has restrained the development of the cooperatives. More efforts should have been put on reaching the global market already from the beginning.

SAMMANFATTNING

Detta examensarbete utgör en del av utvärderingen av ett utvecklingsprojekt i Serbien där kooperativ har bildats för att dess medlemmar ska kunna försörja sig själva genom ekologisk odling. Syftet med uppsatsen har varit att undersöka om målet att de nuvarande medlemmarna och potentiella nya medlemmar ska kunna försörja sig på det som kooperativen producerar, har uppnåtts. Målet kan sägas vara delvis uppfyllt; enligt den sista årliga rapporten från Odraz, är ”kooperativen fullt fungerande och stabila och har börjat gå med vinst, om än blygsam” och ”majoriteten av deltagarna i projektet upplever sig som självförsörjande”[...]. För att ta reda på vad som fattas innan det uppsatta målet är fullständigt uppnått, (till exempel finns det inga rapporter om att nya medlemmar har värvats, och det faktum att majoriteten av, inte alla, nuvarande medlemmar säger sig vara försörjda av det som kooperativen producerar), har jag försökt kartlägga de förutsättningar som kooperativen verkar under. Grunden till uppsatsen består av en litteraturstudie, intervjuer med ledarna för kooperativen, en enkät som behandlar företagsklimatet samt olika externa källor i Serbien.

Kooperativens medlemmarna har fått utbildning, dock med viss tvekan angående dess tillämpbarhet enligt den enkätundersökning som Odraz utförde. Studiecirklar och liknande kan vara ett bra sätt att komplettera och vidareutveckla dessa kunskaper, dock är tillgången till dessa och andra högre utbildningar oklar, enligt företagsklimatenkäten. Kunskap om vad marknaden efterfrågar, lagar och förordningar från myndigheter, certifieringsorgan och forskning inom yrkesområdet kräver ständig uppdatering. Enligt företagsklimatenkäten är medlemmarnas tillgången till medier god, likaså information genom rådgivning, dock saknas information genom forskningsresultat. Medias oberoende ställning i landet är inte självklar.

En trygg boendemiljö är en grundförutsättning för att medlemmarna ska kunna ha fullt fokus på att driva kooperativen. Detta behov kan anses vara tillgodosett i och med att medlemmarna i kooperativen tilldelats en bostad. Medlemmarna själva anser sig ha gott förtroende för sina grannar, föreningar, polis och rättsväsendet, hjälporganisationer, försäljare, lokala och nationella makthavare enligt företagsklimatenkäten. Däremot är förtroendet för banker lågt eller obefintligt. Förtroendet för uppköpare är oklart.

Tillgången på motivation kan avgöra kooperativens framtid. Enligt Odraz enkät finns/fanns det problem med medlemmarnas (särskilt kvinnornas), brist på motivation att delta i det praktiska arbetet i kooperativen och inre motsättningar utgör hot mot kooperativens existens och utveckling.
Enligt litteraturstudien finns det ekonomiskt stöd att få i form av bidrag från regeringen och i förmodligen även EU i framtiden. Enligt företagsklimatenkäten saknar medlemmarna helt inspiration och nya intryck från intresseorganisationer, mässor, utställningar och konferenser. Incitament från intresseorganisationer saknas helt, huruvida det finns incitament från banker, EU, politiker, företag och samhället i övrigt är oklart enligt företagsklimatenkäten.

Torka, sen frost, blåst, hagel och det fuktiga klimatet kan innebära utmaningar, men i övrigt är klimatet en tillgång, även kvalitén på jorden som är mycket hög och det finns tillräckligt med vatten av god kvalitet. Dock kan kooperativens begränsade tillgången på jordbruksmark verka hindrande. En stor del av jordbruken i Serbien är små och fragmenterade. Enligt litteraturstudien kan detta komma att ligga Serbien och kooperativen till last i konkurrensen med omvärlden på grund av ineffektivt brukandet av jorden vilket innebär högre kostnader.

Ett framtida eventuellt medborgarskap i EU stöds av en övertygande majoritet av deltagarna i projektet, vilket är en större andel än i övriga landet.
Att certifiera kooperativen har tagit lång tid, men det är ofrånkomlig om de ska kunna ta ett högre pris för det som produceras.

Kooperativens tillgång till kapital och jordbruksmark kan vara de helt avgörande faktorerna för deras överlevnad, men tillgången till dessa faktorer är enligt företagsklimatenkäten oklar. Enligt den samma är tillgången till på kvalificerad arbetskraft liten eller obefintlig. Detta påverkar inte kooperativens utveckling i nuläget, men kan bli en begränsande faktor i framtiden. Det råder oklarhet angående huruvida kön, ursprung, språk, religion, eller bristen på barnomsorg utgör ett hinder för individer att få arbete enligt deltagarna själva. Tillgången och kvalitén på infrastrukturen i alla dess former får klart underkänt, både enligt företagsklimatenkäten och litteraturstudien, vilket utgör ett klart hinder för kooperativens utveckling.

Avsättningsmöjligheterna för kooperativens produkter på den inhemska marknaden anses av medlemmarna som goda, men inga slutsatser kan dras angående deras inställning till den globala marknaden. Litteraturstudien pekar dock på att det i princip inte finns någon inhemsk marknad i Serbien i nuläget, och då har kooperativen inget annat alternativ än att försöka exportera om de fortfarande vill producera ekologiskt. Lagringsmöjligheter kan krävas om de ska kunna erbjuda uppköpare den kontinuitet, kvalitet och kvantitet som de enligt litteraturstudien kräver. Att förädla produkterna verkar i nuläget inte vara aktuellt, volymerna är för små.

Projektet kan anses som framgångsrikt ur många hänseenden. De faktorer som medlemmarna anser sig sakna, är alla yttre omständigheter som IM-SOIR inte har kunnat påverka. I frånvaron av intresseorganisationer behöver enligt min mening, deras efterföljare Odraz fortsätta att vara en länk mellan kooperativen och myndigheter, certifieringsföretaget, uppköpare och banker. Detta för att synliggöra kooperativens återstående behoven hos de beslutsfattare som har möjlighet att förändra situationen och som därigenom kan öka kooperativens möjlighet att försörja nuvarande och kommande medlemmar. Kooperativen är ännu inte redo att axla detta ansvar.
Sammanfattningsvis fanns det enligt min mening en övertro på den inhemska marknaden när projektet planerades vilket har hämmat kooperativens utveckling. Man borde ha lagt mer resurser på att nå ut på den globala marknaden redan från början av projektet.

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1. INTRODUCTION

1.1 BACKGROUND OF THE THESIS

In the beginning of October 2008, I contacted the SOIR-IM (Swedish Organization for Individual Relief-Individuell Människohjälp) and asked if they had any suitable topic for a thesis that concerned rural development. I then came in touch with Maria Zachs, desk officer for a rural development project in Serbia, which was to be evaluated during 2009. The project dealt with organic production. I engaged my friend Johanna Persson, a student at the horticultural science programme in Alnarp. Johanna's thesis investigates if organic farming could function as a production method for the families in the project. Our theses will be a part of the SOIR-IM's evaluation of the project. During the end of March and the beginning of April, we visited Serbia in order to gather material; we visited and interviewed the directors of the cooperatives and their families, the representative from the certifying company (SGS) and interviewed professors' at the universities in Novi Sad and Belgrade.
Part of the material in this thesis is the same or similar to the information in Johanna's thesis. The interview with SGS is exactly the same in both theses; the text is a transcript of the interview. In addition to this, the transcript of the interviews with the members of the cooperatives has the same origin, but has been edited in different directions in the two theses. Because of this there may be similarities between Johanna's thesis and this part of my thesis. Furthermore a questionnaire was made, yet the answers to these questions have been separately analyzed.

1.2 AIM OF THE THESIS

The aim of the thesis is to investigate if the organic cooperatives are provided with the proper conditions in order for them to support the families already involved and future potential members to the cooperatives.

1.3 LIMITATIONS

This thesis examines only the elements of the project that concerns the conditions for developing a fully functioning enterprise in the rural areas of north of Serbia. The thesis has therefore no aim to cover the cultivation and adjoining biological issues of the project. For further information about cultivation concerning the project you are encouraged to read Johanna Persson's thesis. Some parts of the information gained during the trip to Serbia have been in Serbian. This has affected the author's possibility to understand and evaluate these parts of the information.

2. BACKGROUND

2.1 FACTS ABOUT SERBIA

Figure 1.Map of Serbia, based on UN map, 2007.

2.1.1 Geography

Serbia is located on the Balkan Peninsula in the southeast of Europe (Figure 1). It was the largest of the constituent republics in the former Yugoslavia. Serbia had two provinces, Vojvodina in the north and Kosovo in the south west. In February 2008, the province of Kosovo proclaimed its independence which Serbia still has not acknowledged (2009) (Landguiden, 2009).

Table 1.Short facts about Serbia (Landguiden, 2009)

Official name	Republika Srbjija/Republiken Serbien
Area (km²)	88 361
Capital	Belgrade
Number of inhabitants	9 900 000 (2008) (Including Kosovo, 7 500 000 without Kosovo)
Constitution	Republic
Head of state	President Boris Tadic
Head of government	Prime Minister Mirko Cvetkovic
GDP per inhabitants	7060 US dollar (2008)

The landscape in Serbia is varied, with mountains in the south and a plain in the north, which Vojvodina lies completely within. The rivers Tisa, Drava and Sava waters the plains in the north. Sava connects with the river Danube in the capital city Belgrade, and Danube partly make the border to Croatia in the west and Rumania in the east. The river Morava which has a north-south direction also connects with Danube inside Belgrade. Serbia has no coastline, (Landguiden 2009).
Serbia borders with Rumania, Croatia, Hungary, Bosnia-Herzegovina, Kosovo or Albania; (depending on if you acknowledge Kosovo as an independent nation), Bulgaria, Montenegro, Albania and Macedonia (CIA, 2009).

2.1.2 Population and language

Serbia has a population of about 7.5 million inhabitants, without including Kosovo (table 1), The Swedish embassy, (2009). In Serbia the Serbian language is spoken. It is written both in Cyrillic and Latin. Hungarian is the most important minority language.
89% of the population in Serbia is Serbs, 65% in Vojvodina. About 3.5 million Serbs is believed to be living outside Serbia, mostly in other parts of ex-Yugoslavia. Serbia has a lot of minorities from the other countries on the Balkan and the Hungarian minority is mostly present in Vojvodina.
During the war in the 1990ties in ex-Yugoslavia, a large part of the highly educated and the young population fled from Serbia. At the same time, half a million people mostly Serbs fled into the country from Croatia, Kosovo and Bosnia-Herzegovina. Many Romanies also came from Kosovo. Despite this, the total population in Serbia has gradually declined since the beginning of the 1990ties. Today (2009), there are about 206 500 internal refuges in Serbia (Landguiden, 2009).

2.1.3 Political system

Serbia has been an independent state since 2006 when the union between Serbia and Montenegro was dissolved. The head of the state is a president which is elected in public elections every fifth year (Landguiden, 2009).

2.1.4 History

In December 1918 the Kingdom of Serbs, Croats and Slovenes were formed. It was renamed in 1929 to Yugoslavia after that King Aleksandar had dissolved the parliament and proclaimed himself as its leader. 1945 Josip Broz (Tito) established a communistic government after a long period of internal and external wars. Six constituent republics were formed, and Serbia was the largest one of them. It was called the Socialistic federative republic of Yugoslavia and Belgrade became its capital city and head of all administration (Landguiden, 2009).

The federation got serious economical problems during the 1970ties, and the situation got worse in the 1980ties, so as the internal contradictions within the federation. Tito died in 1980, and Slobodan Milosevic became Serbia's president in 1989. He fought to "re-establish the significance of the Serb's". At the 25 of June 1991, Slovenia and Croatia declared themselves as independent states. Shortly after this the Yugoslavian people's army (JNA) which was dominated by the Serbs, attacked both countries in order to stop their attempt to brake loose from the republic of Yugoslavia. The war in Slovenia ended after 10 days; however the war in Croatia was more drawn out. In the spring of 1992, Bosnia Herzegovina and Macedonia became independent. In Macedonia the transfer to independence was peaceful, but in Bosnia Herzegovina a civil war broke out, due to tensions between Serbs, Muslims and Croats. The war created large stream of refugees, of Romans, Croats, Serbs and Muslims.
The war in Balkan officially ended in December 1995, with the Dayton Peace Agreement. As a consequence of this, the economical sanctions that the EC and the UN had put on Belgrade were lifted (Landguiden, 2009).

Kosovo was a province in the south of Serbia, with a relatively high autonomy in Yugoslavia. A majority of the population in Kosovo is Muslims and about 10% of the populations are Serbs. The Serbian minority started to protest against the ethnical suppression already in 1983. Because of this Kosovo's autonomy was cancelled by the republic of Yugoslavia in 1989, and the Serbs got access to important political positions. The antagonism between the Serbian and the Albanian population smouldered and led to the outbreak of a war in 1998. NATO began bombing Serbia in March 1999 after Serbia refused to guarantee Kosovo's self ruling. After three months of bombings, Serbia was ready to conclude a peace agreement. Milosevic was forced to resign as a president in October 2000 (the Finish ministry of foreign affairs, 2009). The USA demanded Serbia to extradite Milosevic and other suspected Serbian war offenders as a condition for helping Serbia financially. Milosevic was put before the court in the Haag tribunal accused for war crimes, and the trial began in February 2002, where Milosevic refused to collaborate, Landguiden, (2009). He was found dead in his cell in Haag in November 2006 (the Finish ministry of foreign affairs, 2009).

In June 2003 the republic of Yugoslavia was transferred into the Union between Serbia and Montenegro, and that union was dissolved in June 2006, when Serbia acknowledged Montenegro as an independent state, and as a consequence Serbia too became independent
In February 2008, Kosovo declared itself as independent from Serbia. The USA and the majority of the EU countries acknowledge Kosovo's independence, Russia and China hasn't. Serbia has still not in 2009 acknowledged Kosovo (Kosova in Albanian) as an independent state (Landguiden, 2009).

2.1.5 The economy

The Serbian economy is still suffering because of the war and the sanctions during the 1990ties, corruption and a political resistance against changes in the economical structure. Not until 2009, the GDP reached the same levels as it was in 1989, before the war started. When Slobodan Milosevic regime fell in the autumn of 2000, Serbia got write offs on their depts. The IMF and the EU supported and pushed for more economical reforms towards a market economy. A lot of work is still needed, and Serbia is still far behind their neighbouring countries (Landguiden, 2009).

Serious threats to a stable economy are the unemployment rate, corruption and a heavy deficit in the balance of current payments. Besides the agriculture the industry is an important factor in the Serbian economy, it stands for almost 25% of Serbia's GDP.
The inflation is very high; in the middle of June, 2009, it was close to 15% (SEEbiz, 2009). During the whole 21st century, the Serbian budget had a deficit and the situation worsened after the beginning of the financial crisis in the autumn of 2008. During the whole of 2007 the growth rate was as high as 7.5%, but it decreased during 2008, and is anticipated to be 0.5 % during the 2009. In October 2008, the Serbian exchange had lost about 24% of its value against the Euro. This has a large effect on both companies and private persons, because they have loans in Euro. In March 2009, the IMF granted an emergency loan of 3 billion Euros to Serbia (Landguiden, 2009).

The public companies dominated during the whole 1990ties, and more than 25% of the Serbian population still work in the public companies, or within the municipal and governmental administration, and the companies are heavily subsidised even though or because they are unprofitable. The IMF demands Serbia to privatise the remaining government-owned companies who are to be privatised completely or partly during the 2009, and the EU has it as a condition for Serbia in order to get a full membership in the EU. The whole banking sector is privatised and is to 70 % owned by foreign interests (Landguiden, 2009).

According to Zaric, (Appendix III), Serbia's economy has a clear market orientation and has always been some kind of market economy, but when the democratic system changed, Serbia became more and more market orientated. The agriculture is the most supported sector in the Serbian economy. The economy is functioning but the last one or two years due to the world financial crisis, the growth of the economy has slowed down. Serious economists says we have not yet seen the full effect of the crisis (in April 2009), it will appear in the next one or two years. That is because our economy hasn't been opened in the past and we have been somewhat protected, but it will be very hard for Serbia if the economy can't adjust to the new circumstances.

2.1.6 Access to capital

Bogdanov, (2008) states that the “credit provision is a key consideration for any dynamic and adaptable sector of a country’s economy”. There are about 25 banks in Serbia that provides credits to agricultural enterprises. In 1992, a fund called the Development Fund of the Republic of Serbia (DFRS) was established, where the agriculture is a prioritised target group. The fund credits small and medium enterprises, private shops and entrepreneurs, and giving micro credits to enterprises in order for them to be able to employ an unemployed person. Some municipalities set aside a part of the budget to the promotion of the agriculture and or the rural infrastructure. There is also a fund called the fund for agricultural development of Vojvodina founded in 2001.

According to Bogdanov, (2008), more than a hundred thousand Serbian farmers opened bank accounts during the years 2004-2005, but this is only a small part of the potential clients. The credit market is restricted because of factors like; the lack of demand for credits, limited trust in the banking system and other financial institutes due to previous experiences of “pyramid” schemes, the farmers lack of knowledge and experience in the creation of a business plan that leads to higher administrative costs, market interest rates that are too high (usually indexed to the Euro), inadequate legal protection and loan guarantees (the use of farmland as a deposit is hard due to inadequate registration evidence), the uncertainty regarding the market for agricultural products, lack of experience in agriculture within the banking sector and above all, the lack of investment credits in the whole financial system in Serbia.

It was common to ask your friends and family for a loan some 10 or 20 years ago according to Zaric, (Appendix III), but nowadays it’s more common that you get a loan from the bank. One reason is because people don’t keep their savings at home. The second reason is that we were in a much better economical situation in the past, now many people do not have savings at all. The banks in Serbia have a higher interest rate than Europe, for example if you as a farmer want to invest in a new tractor you will pay real interest rates which is connected to the Euro. That means an interest rate that is at least 10%. With governmental subsidy, the farmer only has to pay half of the market interest rate. Still, compared with Europe this is a high rate. Zaric, (Appendix III) says that:

“If something is rare on the market the prices go up, and we don’t have enough capital in Serbia.”

2.1.7 Foreign affairs

Due to the war and the sanctions during the 1990ties, Serbia’s export stopped almost entirely, and in the beginning of the 21st century it still did not reached the same level as before the war. Because of increasing prices on oil and a rising domestic demand, the value of the imported goods increased during the beginning of the 21st century. Adding on a weak export, the result is an increasing deficit in the trade balance. The deficit in the balance of current payments has increased more then three times between 2001 and 2003. Serbia has a high foreign dept Landguiden, 2009). A re-election were taking place in May 2008, because of the differences in opinion inside and between the political parties in the government regarding if Serbia should join the EU or not, and if Kosovo should be recognised as an independent state.

After the election the country was and still is governed by the president Boris Tadic's Democratic party (Demokratska Strenka, DS), which according to the Landguiden, (2009) is in comparison liberal and open to the EU. Due to this, Serbia's isolation was partly broken.

In 2008, Serbia and the EU signed the Stabilisation and Association Agreement (SAA), which establishes a free trade area between the EU and Serbia. Serbia received 572.4 million Euro between 2007-2009 from the EU's IPA fund (the Instrument for Pre-accession Assistance). The fund is used for countries that are negotiating for a full membership in the EU. Before that, the EU granted the ATMs (Autonomous Trade Measures) which is extended to 2010; which grants Serbia unlimited duty-free access to the EU market for the majority of basic agricultural products (with some exceptions)(EU, 2009). Serbia is currently negotiating a membership in the World Trade Organisation (WTO) (EU, 2009), and also has a free trade agreement with Russia, and the CEFTA (Central European Free Trade Agreement) (VIP, 2009). According to the Swedish embassy in Belgrade (2009a), Serbia is the only European country that has a free trade agreement with both Russia and the Europe.
The IMF demanded Serbia to privatise the remaining government-owned companies who were to be privatised completely or partly during the 2009, and the EU also has it as a condition for Serbia in order to get a membership for in the EU (Landguiden, 2009).

In 2008, Serbia was ranked 85 out of 180 on the Corruption Perceptions Index (CPI) (Reporters without borders, 2009). Serbia planned to hand in their application for a full membership in the EU during 2009, but the EU explained in the beginning of 2009, that the demands were not yet fulfilled. The level of corruption and organized crime is still too high, some laws need to be adapted to the EU standards and above all, to extradite the remaining wanted war criminals to the war tribunal in Haag. However the EU agreed not to couple the matter with the membership and the question about Kosovo's independence (Landguiden, 2009).

A survey completed by the Serbian government in June 2009, states that almost 61% of the Serbian population thinks that Serbia should join the EU, which is the lowest level since 2002. 17% would vote against a membership and 14% would not vote at all at the moment. 52% expect that joining the EU will make life better for the young, 44% expect better employment, 40% hope to travel to the EU and 30% see the EU integration as a chance to settle the situation in Serbia. A majority of Serbian citizens, (76%) are aware that cooperation with the Hague tribunal is a condition for EU integration while 21% think that the Kosovo issue is an obstacle (The EU Integration office, 2009).

2.1.8 The employment market

The global financial crisis has affected the employment market since the autumn of 2008. The unemployment rate was approximately 18% during 2007. The black and the gray market are significant, and there is a risk that it will get larger. The unemployment rate among the young is at risk. Equal salary for equal work is regulated by the law, but in the reality the men have higher salary than the women. Almost as many women as men are now working outside the house (Landguiden, 2009).

2.1.9 Social conditions

The war in the 1990ties and the NATO bombings contributed to destroy the welfare system, especially the medical care, and it still suffers from lack of resources such as medical equipment and medication. The number of private care institutions has increased during the last years but is not affordable to everyone. There is a social insurance system for employed in the public institutions and their families, but for employed at private companies and self-employed have to pay a fee to the system. When Milosevic regime fell in the fall of 2000, one third of the population lived underneath the poverty line. The situation has improved but the poverty is still high, especially in the rural areas, among the Romanies, Serbian refugees and elderly people. The social gap is very high and tends to get bigger. In the trace of the war criminality such as human trade, corruption, money laundry, the smuggling of drugs, weapons and cigarettes has grown (Landguiden, 2009).

2.1.10 Education

The children begin school at the age of seven. The compulsory school is free of charge and lasts for eight years. After that comes the upper secondary school, which is optional and last for four years. It gives qualification to higher education, vocational or a technical education. There are universities in Belgrade, Nis, Novi Sad and Kragujevac. According to Landguiden, (2009) the standard of the higher educations sank during the 1990ties because of the isolation and the financial problems as a consequence of the war and the sanctions from the rest of the world. However in 2003, the educational system started to get reformed, partly with means from the EU (Landguiden, 2009).

2.1.11 Media

According to Landguiden, (2009), the most important source of information for the Serbian population is TV and radio. There are three channels run by the state, which is considered to be pretty independent. The freedom of speech is guarantied by the law. 1998, in connection with the war in Kosovo, new laws of the media was introduced. During that time media where shut down or fined, and journalists were sent to prison or even killed (Landguiden, 2009). Serbia was ranked 64 out of 173 in the Press Freedom Index 2008 (Reporters without borders, 2009).

2.1.12 Energy

Serbia is self-supporting on coal. Before the NATO bombings in 1999, a third of the country's need for oil and one fourth of the need for natural gas was covered by the domestic production. The two largest refineries were destroyed and Serbia is now relaying on imported oil from above all Russia. The domestic production of electricity from water power was also sufficient before the bombings. The production has been re-established, but on a lower level. Many plants are working inefficiently (Landguiden, 2009).

2.1.13 Infrastructure

The network of roads is in a poor condition due to bad maintenance in the whole country except near the large cities where they are relatively good. A highway was planed to be built between Serbia and Hungary through Vojvodina, but it was put on hold in the autumn of 2008, due to a disagreement between the two countries because Serbia does not think that the agreement is favourable.
The war and sanctions in the 1990ties and the NATO bombings had a devastating effect on the transportation sector. A lot of work was needed to recreate the transportation corridor that Serbia provide between the north and south part of Europe and further on; the Middle. There is still a huge need for modernisations.
The railway used to be the most important way of transportation especially for gods, but it needs large repairs and maintenance. By 2010 several railway lines is supposed to get repaired, among others the one between Belgrade and the Hungarian border.
The waterways were also important especially on the Danube, but due to the bombings the traffic was closed of, and has not yet reached the same level as before the war. When Serbia and Montenegro parted in 2006, Serbia lost its connection with the sea. In the year 2000, the last sanctions were lifted from the national Serbian airline, and then they could fly internationally again (Landguiden, 2009).

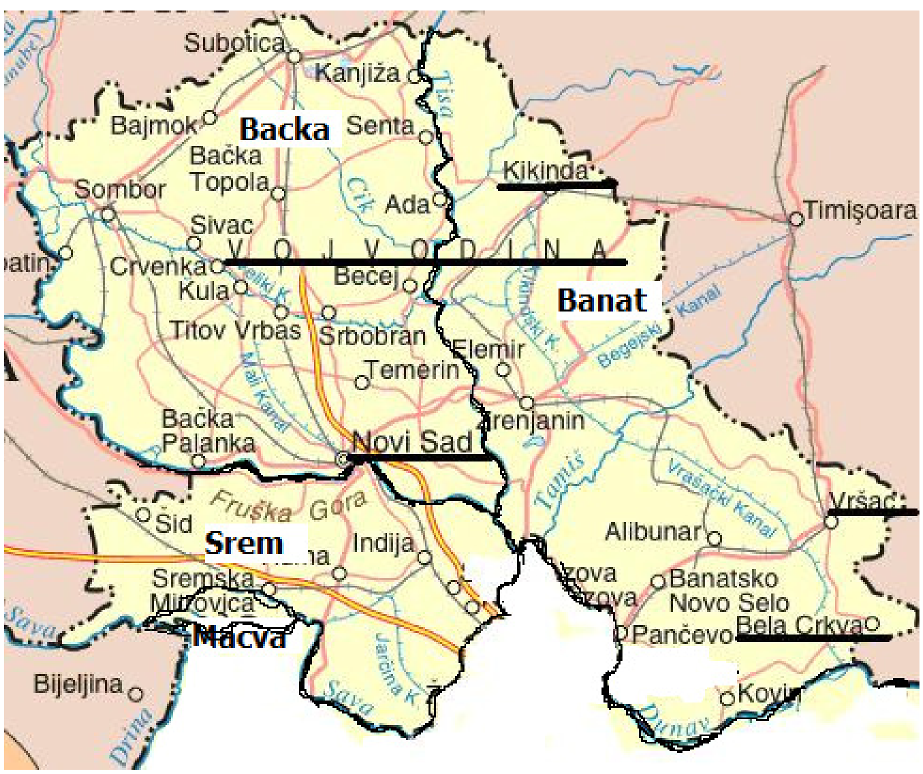

Figure 2.Map of Vojvodina, based on UN map, 2007

2.1.14 Vojvodina

Vojvodina (Figure 2) is an independent province in the north of Serbia with about 2 million inhabitants (The Swedish embassy in Belgrade, 2009b). Vojvodina has its own provincial assembly and has financial autonomy. In the beginning of 2009 a suggestion was made for a new constitution that will allow Vojvodina to tax its own inhabitants, but it has to be approved by the Serbian parliament (Landguiden, 2009)..

2.1.15 The flatland region

According to Natalija Bogdanov (2008), the rural Serbia can be divided into three different regions, the flatland region, the highland region, and the region of large economic centres and surrounding area. The flatland region covers the north of Serbia and includes the entire province of Vojvodina and the northwest of central Serbia (Macva). It is very homogenous when it comes to natural recourses, geography and geology, but when it comes to the economical structure and development; the western part of the region (Backa, Srem and Macva) is more developed than the eastern part (Banat). This difference has increased since the early 1990's. Private entrepreneurship has a long tradition in this region, in particular the south-western part. Accessibility of a financial market, information and counselling services is higher then in the other regions. This makes the flatland region the most developed when it comes to rural services and economical structure. (Natalija Bogdanov, 2008).

37% of the rural population in Serbia lives in the flatland region. The total rural population in Serbia has declined in between the years of 1991 and 2001. Contrary to this, the number of inhabitants remained the same in the flatland region partly due to the immigration of refugees in the north and the south-western parts of the region. The causes for immigration are, among others, the good infrastructure and the fact that the two largest cities, Novi Sad and Belgrade are located close to the flatland region. This attracts younger labour from other regions (table 2). On the contrary, the regions of Macva and Banat in the flatland region are demographical empty (Natalija Bogdanov, 2008).

Table 2.A comparison between the total rural areas in Serbia and the flatland region when it comes to the age structure (After an original by Natalija Bogdanov, 2008).

	Total rural population in Serbia	**The flatland region**
Age structure		
Younger than 15 (%)	16.17	15.91
Older then 65 (%)	17.49	16.29
Population density (pers./km²)	63.10	77

There are less economically active women in the flatland region-compared to the other regions-the high number of housewives indicates that. This could be explained by the diversification on the labour market and the relatively high living standards in this region (Natalija Bogdanov, 2008). The educational level (table 3), of the inhabitants of the flatland region is higher than the other regions in the country. The region has a traditionally well regulated school network system, and that makes the level of education high among the elderly population. The inhabitants in the region have a higher rate of additional skills, and accessibility to counselling services and the transfer of information is better organised in this region. (Natalija Bogdanov, 2008).

Table 3.A comparison between the total flatland area and the flatland region when it comes to the educational structure (After an original by Natalija Bogdanov, 2008).

	Total rural population in Serbia	**The flatland region**
Educational structure of the population over 15 years of age (%)	100	100
- Incomplete education	28.19	24.16
- Elementary school	26.69	26.41
- High school	36.09	41.10
- College/ University	6.95	7.53
- Unknown	2.07	0.80

The flatland region has experienced an extreme polarisation when it comes to the sizes of the estates during the last two decades. This is because of the privatisation of large estates (which represent approximately 20% of the total number of estates in this region), and the change in the age and social-economic structure of the members of the homesteads. The high number of small farms is to be explained by the fact that they only have a residential function, although they are statistically defined as homesteads. This is because of the relatively good infrastructure and social services that enables people to do that. This is confirmed by data that the shares of non-agricultural homesteads are high and growing. The numbers of mixed homesteads are noticeably lower than in other regions and this is according to Natalija Bogdanov, (2008), certainly a consequence of the polarisation of the homesteads in line with the source of income.

15% of the rural settlements in the region are covered by the gas pipelines. The region has the highest number of settlements that has satisfactory access to drinking water (especially in Banat). The region suffers from environmental problems such as absence of landfills and unregulated disposal of waste, unregulated use of the groundwater and poor protection against floods (Natalija Bogdanov, 2008).

2.2 CONDITIONS FOR THE AGRICULTURE IN SERBIA

2.2.1 Introduction

70% of Serbia's total land area is arable land and the primary production of agricultural products together with the processing of them accounts for 25% of the GDP which makes the agriculture the largest sector in the economy. Primary agricultural products represent 16-17% of the total exports (IFOAM, 2009a). The most important crops are wheat, barley, maize, sugar beets, sunflowers, soybeans, tobacco, potatoes, grapes, berries, apples and plums. Most of the sheep and cattle production is taking place in the hilly southern parts of Serbia.

(IFOAM, 2009a), and besides that, vegetables and oil plants are grown. Most of the grain is grown in Vojvodina (Landguiden, 2009). The production is uneven due to the lack of irrigation and the yields are held back because of it. Before 2004, the investments in the agriculture were neglected. After that a large investment program took place in between 2004 and 2006. About 44% of the total population in Serbia is living in the rural area, and 30% of them are somehow dependent of the agriculture (Landguiden, 2009). Over 75% of the private farms are non commercial, fragmented with less then 5 hectares of land and with a mixed production. The average age of the farmers is increasing, the mechanisation is deficient and the farmer's level of agricultural knowledge is low (IFOAM, 2009a).

The arable land in Vojvodina covers 84% (1.7 million hectares) of the total land area, of which 65% is in the possession of 260 000 farm estates and the rest by agricultural enterprises and cooperatives. The average size of the estates is about 4 hectares and only 3% of the total number of the estates is larger than 10 hectares. Vojvodina has a network of 930 km irrigation canals, which irrigates 0.5 million hectares. Around 70% of the arable land is sown by cereals, 20% for industrial crops and the rest by vegetable and other field crops. Common crops are wheat, maize, sunflower, sugar beat and soybeans. The agrarian population constitutes 13% of the total population in Vojvodina. (VIP, 2009).

Figure 3.Chernozem, or "Black earth" in the cooperative land in the village of Basaid (Engman & Persson, 2009).

2.2.2 The soil conditions in Vojvodina

In Vojvodina, 52% of the arable land area is covered by Chernozem, or as it is called "black earth" (Figure 3). The Chernozem is a black humus rich soil where the top layer (15-100 cm) consists of black and organic-rich material in which there are a high biological activity by earthworms and other organisms who mixes the organic fraction with the mineral fraction. The result is a soil that has a high nutrient status, excellent structure and high water retention capacity which makes it excellent for growing cereals. It is also a good soil for growing vegetables under the condition that the soil is irrigated. Chernozem is predominately grassland areas of the temperate middle latitudes of the world (Microsoft Encarta Online Encyclopedia, 2009).

2.2.3 The climate

Serbia has a continental climate with cold winters and warm humid summers. The precipitation is evenly distributed (Landguiden, 2009).

2.2.4 The organic agriculture

IFOAM, (2009a) states the organisation Terra's initiated organic agriculture in Subotica in 1990. According to IFOAM, (2009a), there are no reliable data on the organic land area in Serbia due to the fact that different certification companies are certifying the same regions and producers. However they estimate that the wild collection area is about 450 000 ha, and the cultivated land area represents 0.14% (2 411 ha) of the total arable area in Serbia. 2 155 ha are under conversion. On the other hand MOAN, (2009), says that Serbia's total organic production area is 368 091 hectares, of which 99.839% is wild collection (367 500 ha) and 0.161% is on arable land (591 ha). A third source, the SIEPA (Serbia Investment and Export Promotion Agency (2009), says that the area with organic production covers 200 000 ha.

The most important organic products are wild and cultivated fruits and berries, and the main cooling plants are located in the south and central parts of Serbia. The key organic products in the regions with intensive agriculture are flour made out of wheat, maize, barley, oats, pumpkin seeds for human consumption, oil from oil beats and sunflowers. These crops are produced on large units, for Serbian conditions, like 100 – 300 ha. The certified organic vegetable production is relatively small, some of it sold as fresh on the domestic market, but most of it is exported. There are no certified organic livestock products (IFOAM, 2009a).

The development of the organic sector is driven by the export, when the economical sanctions were lifted in 2000, investors, buyers and donors immediately showed an interest for Serbia. They started projects, organized the production and created access to the export market (IFOAM, 2009a). In 2006, the Ministry of Agriculture announced an organic law in Serbia (IFOAM, 2009c). Before that in 2004, the government introduced state subsidises for organic agriculture, which covered 50% of the certification costs and some educational and cooperation actions. According to IFOAM, (2009a), the government's development of the organic agriculture is driven without that much consultation with the sector. All parts of the production and distribution chain are present but the sector is in need of organization in order to expand the organic sector in Serbia. The main actors, donors and companies, have no ambition to do that job. In 2006, very few received the subsidies for organic production, due to problems with adapting the system to the users (IFOAM, 2009c). Further on, IFOAM, (2009b), state that there is no serious field research projects being done in Serbia, and the organic production is not a part of the educational system, although educational programs for farmers is available since 2006.

During our study trip to Serbia, we got in touch with Goran Pivnicki, AGRI Senior inspector at SGS Beograd Ltd. He is responsible for the certification of the four cooperatives. This is what we found out when we interviewed him in Novi Sad:
Pivnicki, (appendix II) says that according to information from the EU, there are over 3 000 organic producers in Serbia. They have from 1 ha (fruit production), up to 18 ha of land. SGS in Serbia have one company with over 100 farmers with little gardens with berries and then there is one person that organises them. When it comes to the company that certified the 100

farmers, the individual farmers have less than 0.5 ha, but together they have a big area. There is an official list, maybe there are less than 40 farmers, but some of them are companies.

According to Pivnicki, (appendix II), the Serbian regulation concerning organic production is very similar to the EU's; the government is constantly changing the rules, to make it the same as EU's. However, the process of total synchronisation is very slow, but they have to do it when (or if) Serbia joins EU. If a farmer wants to produce according to EU's regulations, he will automatically be producing according to Serbian regulations as well. There are differences though. For example; if the farmer wants to use non organic seed (but none treated), he needs approval from the ministry of agriculture in Serbia, but according to EU's regulations he only needs a permit from SGS or from his certification body. The ministry of agriculture always allows it because there is no organic seed produced in Serbia.

When it comes to the conversion process the Serbian organic law is the same as conversion according to the EU regulation. For annual crops it lasts for two years and for perennial crops (fruits) it lasts for three years. During the first year of conversion no certificate can be issued and after that, a certificate for "in conversion product" can be issued until the end of the conversion time. During the conversion time all aspects of organic regulations have to be obeyed. It is not possible to be certified according Serbian regulations for two years and according to EU's regulations the third year. The farmer needs to be certified according to the EU's regulations all three years (during the conversion period) to be able to be certified according to EU regulations.

According to Zaric, (Appendix III), many small farmers already produce "organically", because they can not afford fertilizers and pesticides. Some of them have started organic cooperatives, not because of ideological reasons, but due of their need to support themselves. Additionally, he hopes that the small extensive farms that do not use that high amount of pesticides have a future. Their products are healthy and of excellent quality and taste.

2.2.5 The domestic market for organic products

The domestic market is according to IFOAM, (2009d), "small and invisible". Only about 1% of the certified organic products are sold in Serbia. The knowledge of the organic way of producing is low among the public in Serbia IFOAM, (2009b). Some organic products are sold on permanent green markets in Subotica and Novi Sad, but the economical worth of it is little, and serves mostly as a way of promoting the domestic organic agriculture. IFOAM, (2009d), states that all studies have shown that the Serbian consumers are willing to buy more, and pay more, for products with added values such as certified organic products. According to IFOAM, (2009d), supermarkets, health food shops and high quality restaurants have a constant demand for organic products, but they are not interested in organizing the farmers in order to create a functional supplying chain. There are no uncertified organic products sold on the domestic market, however there are many different labels and brands that could be associated with the organic way of producing and only a small number of the consumers care to find out if it is a genuine brand or not. The authorities have neither the ability nor the aspiration to prevent fraud.

The work of promoting organic agriculture in Serbia is neglected; though Terra's is organizing several activities such as the "Bio festival". IFOAM, (2009d), says that it's the local stakeholders that need to shape up when it comes to the organization of the promotion of organic products. The farmer's association that exists is not strong enough to do the job; their interest is concentrated on the production (IFOAM, 2009b). There are plans from the government to introduce a common national organic brand that is mandatory for all organic products. However, it is not yet clear when or how it is going to work practically (IFOAM, 2009d).

IFOAM, (2009a), expect that the organic production will increase in the future but some factors need to be looked upon before that; better institutional conditions, all local actors should join together in one cooperative chain, there should be increased transparency regarding companies and certifiers, clearness regarding allowed inputs, and strong promotion. The government needs to come up with a plan for the development of the domestic organic agriculture and to involve domestic stakeholders (IFOAM, 2009b). According to IFOAM, (2009b), the domestic organic market needs better standards, organisation, marketing and exposure in the media, higher quality of the certification bodies and advisory services. IFOAM, (2009b), states that:

"Organic production is the privilege of economically strong companies and the benefits of organic are not available for small farmers."

2.2.6 The export market for organic products

The most important products are according to IFOAM, (2009a), wild or cultivated fruits and berries (raspberries, strawberries, blackberries and blueberries), exported as frozen or processed, smaller amounts of frozen or dried plums and sour cherries, jams, sweets, fruit juices and concentrates, vinegar and salted and dried wild mushrooms. According to MOAN (Mediterranean Organic Agriculture Network), other organic export products are vegetables, essential oils and medical herbs. The products are exported to Great Britain, the USA, Germany, Belgium, Austria and Switzerland (MOAN, 2009). Zaric, (Appendix III) says that it is common in the organic sector that foreign purchases come to Serbia and want to organize the cultivation of the organic products, especially Austrian companies. They don't buy the company or the cooperatives, but they make requests regarding quantities and quality of this or that crop, and the Serbian producer need to follow their rules and regulations. They bring new technology and a whole new way of thinking in the organic production and they have a good system with announced and unannounced controls. He has not heard of a Serbian company that has begun from zero and started exporting their organic products.

2.2.7 Support and subsidises from the government

According to IFOAM, (2009c), the subsidy program that the government introduced in 2004, covered 40 – 50% of the certification costs, however the system needs improvement on the farm level with better routines when it comes to planning and documentation. Zaric, (Appendix III) says that many people think that they will get a part of the EU's support system for the agriculture if and when Serbia joins the EU. According to his interpretation, the EU will have phased out all the agricultural subsidises by the time Serbia gets its membership.

Zaric, (Appendix III), says that compared to how the situation was ten years ago the government is providing a god business climate for the farmers. The ministry is trying to support the agriculture, but the basic problem is the high number of farmers and a limited budget. Bogdanov, (2008) says that since 2004, the farmers need to be registered in order to get subsidises from the government in Serbia. It is only a small number of the registered farmers who benefits from the different programs. One reason is because of the fact that the ministry of agriculture is changing the supporting structure from year to year, without previous analysis and public discussions, the farmers and the processing industry can't anticipate the future. When asked if the politicians listen to the farmers, Zaric, (Appendix III) says that:

"The politician doesn't do anything that could jeopardize their chances to get votes in the next election, or maybe if there are some protests."

2.2.8 Agricultural cooperatives

Zaric, (Appendix III) says that there are some old cooperatives but they almost only exist on paper. They use to be almost like political parties where the farmers didn't have a right to vote. New cooperatives do exist. They are better organized and they are going to change the structure one day with new ways of thinking.

2.2.9 The future of the Serbian agriculture

Zaric, (Appendix III) says that people will still live in the countryside, but they won't be able to support themselves from what the farm produces. The population is decreasing and the average age is rising, young people don't want to stay and work as farmers and the entrepreneurs change fields of work. The big companies have a future, but there is not a situation right now that supports structural changes. The family farms with 10 to 100 ha of agricultural land have no chance to compete with the big farms with thousands of ha of land. Serbia's agriculture could very well concur with the agriculture in the EU - countries if the structure of the farm's changes. Serbia has a good soil and climate, the equipment and knowledge. He thinks that the professional people are aware of the problem, but the politicians only make short term decisions.

3 THE PROJECT

3.1 Background

The project was prepared during 2005/2006, and started at the beginning of 2007 and lasted until 2008, and was to be evaluated during 2009 (Mitrasinovic, 2009).The project is a mixture of humanitarian and development intervention. The humanitarian part is solving housing problems and the development part is the forming of organic cooperatives (Mitrasinovic, 2009).The project was run by the Swedish aid organisation SOIR (Swedish Organisation for Individual Relief), called SHIP in Serbian (Svedska humanitarna individualna pomoc). Another name for SHIP was "IM Serbia". That was because SOIR is called IM in Swedish (Individuell människohjälp), (Pavlovic & Zachs 2006). At the end of the project the whole staff that was originally employed by SOIR became the independent organisation Odraz Vojvodine (Mitrasinovic, 2009).

According to IM, (2009):

"IM is a Swedish aid organization fighting and exposing poverty and exclusion. The organization was founded in 1938 and is active in 15 countries worldwide. IM makes long-term commitments together with local partners, primarily promoting health, education and income generation. Our efforts are aimed at empowering people and each new project starts off on a small scale".

Maria Zachs, the SOIR's desk officer for the project (interview by e-mail, 2009), came into the project in the beginning of June 2006, just before the preparations for the project was ending. The organic agricultural part of the project was planned in the autumn of 2005 and the application to the SMR / Sida was submitted in May 2006 with some supplements in the summer of 2006, on the request from the SMR. According to Zachs, the project was divided in two parts (the housing part which lasted from 2005 until 2006 and the organic agricultural part which lasted from 2007 until 2008), because buying houses is not compatible with SMR / Sida's policy for what they grant money for. The SOIR therefore decided to finance the housing part with its own collected funds, and then applied for money for the organic agricultural part of the project from the SMR / Sida. In reality it was one project funded by two sources.

3.2 The socio-economical situation

According to Pavlovic & Zachs (2006), statistics showed in 2006 that 10.5% of around eight million people in Serbia were to be considered to be living on the edge of poverty, while it were 7.9% in Vojvodina. The level of poverty was similar in Romania, lower than in Albania but higher than in Bulgaria and Poland. The poverty increased considerably in the 1990s. Then, as a result of this development, the middle class stopped existing and the poor increased two and a half times. More and more people lived just above the poverty line. Another reason for poverty was social exclusion, the lack of access to public services and markets, and lack of equal opportunities and so on.

The poverty index of the population in the rural areas was almost twice as high as it was in the urban areas. The most vulnerable group when it comes to poverty was the refugees from inside and outside the country. 25% of them where living underneath the poverty line. Pavlovic & Zachs, (2006) says that according to the 2005 refugee registration process, there where approximately 140 thousand refugees in Serbia from other successor states of the Federal Republic of Yugoslavia, primarily from Croatia and Bosnia. Another problem was the public's low participation in elections. According to the report, this could open doors to political radicalism. (Pavlovic & Zachs, 2006). At the end of 2005, there where still 15 collective centres for refugees in Vojvodina.

The four villages that were involved in the project, belonged to the poorest municipalities in Vojvodina, especially Plandiste and Bela Cerkva. The situation in Kikinda decreased dramatically during the war. (Pavlovic & Zachs, 2006). IM was implementing project activities in the four villages Mileticevo-Plandiste Municipality; Kruscica and Kusic-Bela Crkva Municipality; Basaid-Kikinda Municipality (Pavlovic & Zachs, 2008). According to Medmänsklighet, (2006), Vrsac had about 60 000 inhabitants spread across 23 villages. The unemployment rate was 25 %. Vrsac is dominated by vineyards and a pharmaceutical industry. Kikinda had 45 000 inhabitants and most of the eleven villages are exodus settlements. Unemployment was very high, about 40 %. Plandiste municipality had about 13 000 inhabitants and consists of 14 villages, and the municipality is one of the poorest in the whole of Serbia.

3.3 Partners

According to Pavlovic & Zachs (2006), TERRA'S initial cooperation was planned to last for the duration of the project, i.e. 2007-2008, but there were also promises from TERRA'S that partnership would last long after the end of the project. According to Pavlovic & Zachs (2006), TERRA'S is a non-profit, non-governmental organisation founded in Subotica in 1990. TERRA'S' work with counselling, education, and promotion in the field of organic production in Vojvodina and Serbia, involving experts from different fields such as agricultural engineers, agronomists, microbiologist and others. According to Pavlovic & Zachs (2006), TERRA'S were responsible for

"The education and the certification process of the land and the products, as well as providing a market for the products."

3.4 Target group

The target group was selected and identified in cooperation with the local and provincial authorities. The target group consists of refugee families and extremely vulnerable domicile families. Originally, there were 28 families and 114 directly affected persons in four villages involved in the project. (Mitrasinovic, 2009). Besides the first and the most important target group, the 28 families, the second target groups were local authorities in four communities. It consisted of representatives of local authorities (Mayors, Secretaries, and Presidents of local offices in the villages), trustees, representatives of local Social Welfare Centres and local Red Cross organizations (Mitrasinovic, 2009).The project worked in line with the Serbian governments' intention to reduce the number of people that is living below the poverty line in Serbia by 50% by the year of 2010.
One of the areas where the government fails to implement their plans to reduce the poverty is on the local level according to Pavlovic & Zachs (2006), who states that;

[…] "there are no middle levels of political management, such as counties. Thus, everything is in the hands of the Government in Belgrade. "

3.5 Risk analysis and side effects

When it comes to risk analysing Pavlovic & Zachs (2006) says that:

"Changes in needs, motivation and determination of the project participants could affect the implementation internally, but will be prevented by counselling, by increasing of self-confidence, as well as by different kinds of courses and education. The impact of external factors (legal obstacles, hostility, and weather conditions) can be predicted, but not controlled each time. The main external factor that could hamper the implementation of the intervention is possible longer political and financial instability of the state".

According to Pavlovic & Zachs, (2008):

[…]"developing of environmental awareness and changing habits were not always going smoothly, especially because the process of organic farming goes more slowly in the comparison with the traditional agriculture. It encompasses cleaning of soil, a lot of manual work, production on a smaller scale, usage of organic fertilizers that are not so 'efficient' as chemical ones, etc. These factors made the beneficiaries impatient. Since they rushed to earn stable incomes, the process of growing organic food was sometimes endangered".

In the final annual report, Mitrasinovic, (2009), states that […] "the beneficiaries managed to realize the importance of organic farming and adopted our guidelines leading to pioneering organic food production in our country."

Further on (Pavlovic & Zachs, (2008) says that:

"Due to high unemployment rate and unstable economy, the negative side effect could be hostility of the local population towards the beneficiaries; they could see their presence like increased competition for employment and income generating activities."

When the project had been up and running for one year Pavlovic & Zachs, (2008), states that:

"On the bases of beneficiaries' reports and reports of Presidents of villages, relations between beneficiaries and local population were good and based on neighbour relationships. Villagers were helping beneficiary families in everyday work and needs and enabled their integration into local communities."

3.6 Financing and sustainability

The SOIR was the primarily responsible for the funding of SHIP's activities, and the staff was employed by the SOIR during the whole duration of the project. The external funding was supposed to increase gradually until the end of the project, when SHIP was supposed to be self-reliant and independent. (Pavlovic & Zachs, 2006). SHIP signed leasing contracts with the municipalities in Kusic (seven ha), Basaid (five ha of land for free during five years or more) and in Mileticevo (Plandiste municipality), five ha was bought by SOIR, which will be taken over and remain the property of the cooperative. According to Mitrasinovic, (2009):

"In 2008 part of running costs and maintenance of the intervention was on IM, but also on beneficiaries. Members of cooperatives were in charge for maintenance and repair of agricultural machinery, as well as for purchasing of fuel for it. Cooperatives earned some income during the year that was invested into maintenance of machinery, fuel and other needs within organic farming. It is in accordance with the intention to make beneficiaries and cooperatives independent from Odraz and able for sustainable living on their own."

In addition to that Mitrasinovic, (2009), states that:

[…]" one of the most important factors for sustainability of the project are the registered cooperatives, which are to support and help the beneficiaries organize themselves and apply for further support from the state, as well as for bank loans in order to further invest and develop their capacities. Having in mind that the land is in the ownership of cooperatives, they will be in a position to apply for the subsidiary of the Ministry."

3.7 Gender equality

According to Pavlovic & Zachs, (2006), there was by the time when the project was planed:

"A traditional socio-economic division between women and men, allowing for only a conservative interpretation of gender equality. Women are often overburdened by work and family and they face a lack of networking, support and training opportunities".

According to Mitrasinovic, (2009),

[…]"the activities within the project involved both women and men. They equally participated in the organic farming. Some of the women got the education in organic farming directly, on Terra's courses and others acquired knowledge indirectly, from their husbands who attended the courses. It strengthened them as individuals and community citizens and opened new perspectives for the future. Since the beneficiaries mostly belong to rural population with traditional male and female roles, women were not involved enough in decision making processes. In 2008 more women were gathered and they contributed to the project a great deal, being actively engaged in all its aspects."

3.8 Main goals

According to Pavlovic & Zachs, (2008), the main development effect that the project will result in is the: […] "change in attitude and readiness of the local authorities to accept responsibilities and to take active part in supporting the establishment of a process for sustainable living on the local level."

In the report, Mitrasinovic, (2009), states that:

"Four local governments were involved in the project activities and the main goal – change in attitude and readiness to take active part in creating of durable solutions for vulnerable populations have been fulfilled. Good cooperation with local authorities (mainly mayors and presidents of villages) depends a lot of current political option, as well as on personality of mayor himself. […] "the Ministry of Agriculture and the Ministry of Labour and Social Matters.[…]" are familiar with the project activities and they have given their support to them, while their representative has visited the beneficiaries and has been surprised by what she had seen, expressing the readiness of the ministry to support us to create a fruitful link with the state."

According to Pavlovic & Zachs, (2006), "The organic farming cooperatives will be stable, profitable and able to offer membership opportunities for those that were not original beneficiaries and to contribute to overall economic and social development of the local communities"

According to Mitrasinovic, (2009):

"The registered cooperatives have become fully functional and stable and they have started making some modest profit. "…" Functioning of the cooperatives was improved in 2008 due to the fact that a number of specialized seminars for both the directors of cooperatives and all beneficiaries were organized, as well as a study visit to Hungary, developing team spirit that is necessary for good functioning of cooperative."

Further on Mitrasinovic, (2009), says that there was:

[…] "a great interest of local inhabitants for becoming members of the cooperatives."

According to Pavlovic & Zachs, (2008), "The third main goal was to make beneficiaries officially certified producers of organic products who are able to sell the products"

In the last annual report, Mitrasinovic, (2009), states that:

[…] "the certifying agency Organic Control System has lost their accreditation for issuing organic farming certificates. Consequently, we had to engage another agency, SGS, accredited by the state. They have started the procedure of certifying our beneficiaries, but according to their criteria, this process can be finished in the following year. On the other hand, some organizations in the setting got familiar with the fact that our beneficiaries started producing organic food and they have started buying their products for slightly higher prices than those produced in traditional way. So, in spite of the problem that has arisen, it seems that we are heading in the right direction."

3.9 Sub-goals

According to Pavlovic & Zachs, (2008), "Creating conditions for sustainable living through organic farming for 28 families".
In the last annual report Mitrasinovic, (2009), says that:

"Conditions were created by solving of housing problems for 29 families, cooperatives were registered, cooperatives directors and all beneficiaries were trained, educated and a lot of effort was put in strengthening the cooperatives, which seem to be the most important for the ensuring of sustainable living of our beneficiaries. The beneficiaries have been provided with organic seeds and organic fertilizers; 4 modern greenhouses; heifers to those who have experience and adequate conditions for cattle breeding."

The quantitative indicator was "the number of beneficiaries that were selling organic products", and according to Mitrasinovic, (2009):

[…] "all but one family was included in the production and trade of food."

According to Pavlovic & Zachs, (2008), the second sub goal was the […]"selling of organic products on the local and international market". Mitrasinovic, (2009), says that:

"We are not talking about large quantities of agricultural products, but it is important to mention here that the products produced both on individual and joint pieces of land were sold in all the tree included municipalities."

According to Pavlovic & Zachs, (2008), the quantitative indicator was the […]"applied number of contracts or other arrangements with healthy food shops or international traders." Mitrasinovic, (2009), says that:

"In spite of the fact that there have not been such arrangements yet, our beneficiaries have established good connections with local shops and they managed to sell their products. Furthermore, a serious organic shop from Belgrade, the capital of Serbia, has started buying the products from our beneficiaries."

According to Pavlovic & Zachs, (2008), the third sub-goal was […]"establishing channels of cooperation that should facilitate and improve project activities, as well as to involve local authorities to take responsibility for local problems"

According to (Pavlovic & Zachs, 2008) the quantitative indicator was […]"the number of joint actions performed by cooperatives, local authorities and NGOs aimed to improve the results in organic farming." Mitrasinovic, (2009), states that:

"There were a various efficient joint actions, which were related to both improvement of results in organic farming and to preparing conditions for successful sustainable living of our beneficiaries, and not only them, but other villagers interested in taking active parts in the registered cooperatives, as well. The whole community in all the included villages have benefited from these joint actions."

3.10 Qualitative indicators

As a qualitative indicator, a part of the members of the cooperatives (the beneficiaries) took part in an enquiry prepared by the staff of ODRAZ after the project ended in the spring of 2009. The members were asked about what they thought about the different segments of the project. They were supposed to circle a number from 1 to 5, where 5 says that he or she is completely satisfied and 1 that he or she is not at all satisfied. 26 members participated in the questioner, 9 female and 17 men (table 4). The cooperatives had at the time103 members, 52 men and 51 women. If the participants were not satisfied with a certain segment of the project (the housing, the organic agriculture and the cooperatives), and they were offered to explain why. The questionnaire was anonymous.

Participants in the qualitative enquiry

Table 4.Gender and age of the particanpants in the enquery prepared by the staff of ODRAZ (After an original by Brkljac, 2009).

Gender:		
Female		9
Male		17
Total		**26**
Age structure:		
	20-30 years	5
	31-40 years	5
	41-50 years	10
	51-60 years	3
	61+ years	3
Total		**26**

Reason for participation

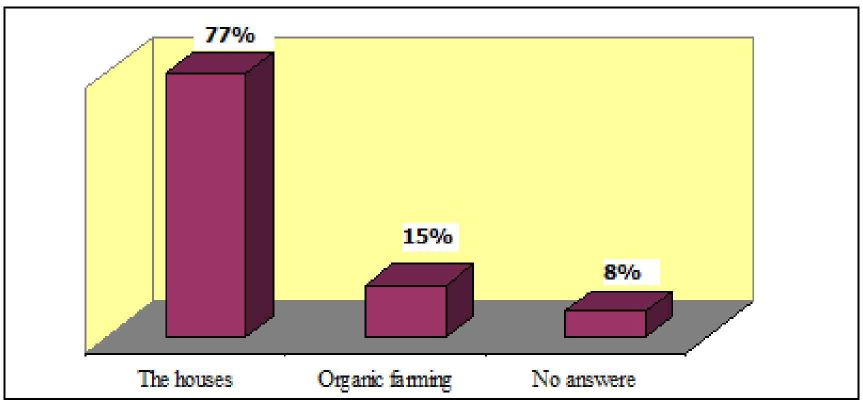

Figure 4.The reasons why the members of the cooperatives participated in the project , after an original by Brkljac, (2009).

According to Brkljac (2009), Almost 77 % of the interviewed answered that the main reason for their participation was because they had no place to live. 19% of the members of the cooperatives reported that the main reason for their participation in the project is the opportunity to do organic agriculture. 8% of the members did not answer this question (figure 4).

Organic farming

The organic agriculture got in general 4.00 out of 5.00 possible points. Those who were not satisfied with the organic agricultural segment expressed that it is "because the agriculture generally is not profitable, especially organic agriculture because it takes a lot of time" (Brkljac, 2009).

Education

The education in organic farming got in general 4.35 out of 5.00 possible points.
When it comes to the possibility to apply their newfound knowledge in organic agriculture, they rated it 3.88 out of 5.00 possible. A small number of those who were completely dissatisfied with this segment report it is because "the land was inappropriate and they could not apply their knowledge" (Brkljac, 2009).

The satisfaction with the work of the SOIR

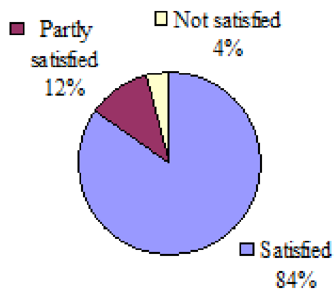

Figure 5.The satisfaction with the staff of SOIR-IM, after an original by Brkljac, (2009).

The work of the SOIR

22 members reported they were satisfied with the work of IM staff in Serbia, 3 members were partly satisfied and 1 was not satisfied. The reason for the dissatisfaction was that the organisation's staff did not visit them often enough (figure 5).

Greenhouses and cattle

The members were also quite satisfied with the possibility to get greenhouses and cattle, 3.92 out of 5.00. Only the members who did not get the greenhouses or the cattle reported that they were not satisfied because they did not get greenhouse/cattle (Brkljac, 2009).

Cooperatives

The segment which concerned the forming of cooperatives got 3.25 in general out of 5.00 possible points. When analysing the answers from the 8 members who reported that this segment of the project was not important to them at all, it appeared that it was because of the fact that they did not have their own cooperative in their village (Kruscica) (Brkljac, 2009). When asked about the atmosphere among the members in the cooperatives, they rated it 3.00 out of 5.00 possible. Reasons for the bad atmosphere were:

"Unequal engagement of all members, bad relationships, lack of unity and cooperation."

When it comes to the members own personal engagement in the cooperatives, it was rated 3.35 out of 5.00, and the reasons for that were:

"Either bad relationship with other cooperative members or they did not see it as useful."

The members were quite satisfied with the machinery that was provided for them within the cooperatives, 3.65 out of 5.00 possible. They were also quite satisfied with the work and engagement of the cooperatives' directors, 3.77 out of 5.00. There were no members who were not satisfied with this part (Brkljac, 2009). The women's participation in the cooperatives was rated as low as 2.69 out of 5. The reasons were according to most of the women that they didn't have time enough because they had to take care of the housework. Another comment according Brkljac, (2009) was that there was not enough work that the women could do:

"Tractors are not for women"

Joint parcels

The members did not rate joint parcel as very important, 3.12 out of 5.00 possible. According to Brkljac, (2009) those who reported that it was not important to them at all because:

"The joint parcel was very small and therefore cannot be useful."

The benefits and the disadvantages of the project

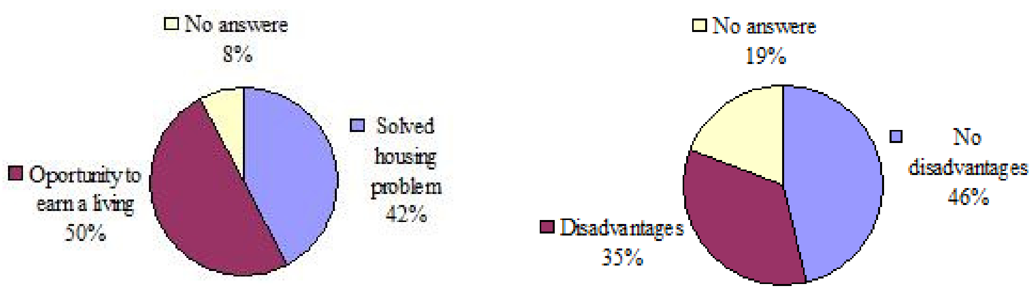

Figure 6.*The disadvantages and the benefits of participating in the project, after an original by Brkljac, (2009).*

11 members reported that the only and most important problem that got solved because of the project was the solved housing problem (figure 6). 13 states that there were more benefits than solving the housing problems, they also got the opportunity to earn their living, because they got machinery, opportunity to practice organic agriculture, education in organic agriculture and cattle-raising. 2 members did not answer this question. (Brkljac, 2009).When asked about the disadvantages of this project (figure 6), 12 of the members reported that they thought there were no disadvantages at all and:

"No other organisation, government or non-government, foreign or domestic, ever did so much to help those who really needed help as much as IM did."

9 members think the project has disadvantages according Brkljac, (2009):

''Traditional agricultural production is more profitable than organic. "
"We got a joint parcel, it would have been better if each of us had gotten a smaller parcel and a possibility to choose what they want to raise and how much. "
''The cooperatives are badly organised and they are not useful. "

The rest of the members said that the disadvantage of the project are bad relationships among cooperative members and the fact that they are not equally interested or engaged in the work of the cooperative (Brkljac, 2009).

Would apply again **The fulfilment of the expectations of the project**

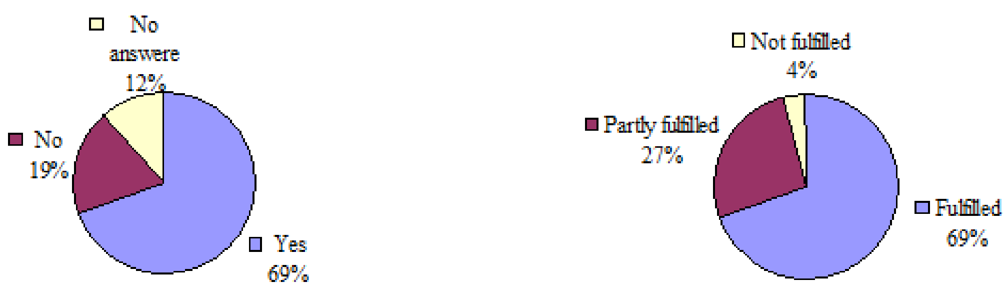

Figure 7.The participant's response to the question whether or not they would apply again, and if the project had fulfilled the participant's expectations, after an original by Brkljac, (2009).

Brkljac (2009), states that 18 reported that they would apply again for the project, most of them answered that they would apply again only if they were in the same situation again with no housing and in poor living conditions (figure 7). One beneficiary said he would apply for the project again only because of organic agriculture:

"It was only then that he realised its importance and recognized his own capacity to do it".

5 members reported they would not apply for the project again and the reason was that:

"Their living conditions are much better now and that such projects are for other people, who are in the same situation as they were before the project."

3 members did not answer this question.

18 members reported that the project fulfilled their expectations (figure 7), 7 think that the project has partly fulfilled their expectations and 1 beneficiary stated that the project did not fulfil his or her expectations at all.

3.11 Reasons for growing organically

According to Zachs (interview by e-mail, 2009), there were no reports conducted, to her knowledge, on why organic production was better then any other way of producing. The decision was made after a recommendation from the former local manager in Serbia, who developed the project together with the rest of the staff. As she understood it, the main reason for choosing organic production was that it would increase the cooperatives profitability, and raise their competitiveness.

Pavlovic & Zachs (2006) states that:

"Vojvodina is one of the regions most environmentally-endangered areas.[…]"Soil, air and waters in Vojvodina are seriously polluted" […] and […]"public information representatives lacked sufficient knowledge on these issues, thereby limiting their ability to provide environmental outreaches to the public. Many citizens even suffer from serious health problems due to poor environmental conditions. In such context, organic farming is not only a good mean for providing income and sustainable livelihood, but a necessary model for the future."… "Prices of organic products are usually from 20 to 80 percent higher than conventionally produced wheat, fruit, and vegetables, which make organic farming ultimately profitable."

Further on Pavlovic & Zachs, (2006) report states that:

"The nutritive and biological values of organic food are higher in comparison with the traditional agricultural products and it contains a low level of harmful substances (remains of polluted soil), which is good not only for the members within the project, but also for other people in the local communities and wider. One of the ideas for introducing organic farming is to educate people in healthy ways of living and to build environmental awareness among people in Vojvodina"…"Not only that absence of pesticides and chemical fertilizers will make the soil cleaner and provide healthier food, but it will also protect environment from pollution and people from various diseases caused or provoked by chemicals. Cleaner environment, decreased number of allergies and poisonings, reduced number of cardiovascular and renal diseases will also be results of organic farming."

3.12 The certification of the cooperatives

During the project, the Organic Control System (Terra's certification body), lost its accreditations for organic farming certification and new contracts were signed between SGS representatives and the directors of cooperatives regarding the certification of organic products. In the report Mitrasinovic, (2009), says that:

"SGS is an organization which succeeded Organic Control System and therefore SGS could not have comprehensive insight into all the steps of soil preparation, cultivation and organic products growing. They did not have all the necessary elements to issue certificates and could not make final decision. They recommended that this year (2008) should remain transitory in the process of complete transfer to organic production."

During our study trip to Serbia, we got in touch with Goran Pivnicki, AGRI Senior inspector at SGS Beograd Ltd. He is responsible for the certification of the three cooperatives. This is what we found out when we interviewed him in Novi Sad:

Pivnicki, (appendix II) says that two out of three cooperatives signed their contracts and they have been registered on the website of the Serbian ministry of agriculture. According to

Odraz, the cooperatives probably will be certified this year (2009). It is confirmed by Pivnicki, (appendix II). He says that all farmers (except one that is excluded because of the use of forbidden materials) are in the process and they can apply for certification. They must demonstrate that their production is in compliance with organic regulation. He says that:

"My personal opinion is they are not interested enough to be organic producers right now. They realized that there are no buyers for organic products. But the project is successful in terms of getting houses and being farmers…"

When asked if he think that it is too hard for the cooperatives to get certified, Pivnicki, (appendix II) says that:

"It is not too hard, but they have to comply with the regulations, and make up a plan what to do if this insect attacks and they have to choose the verities right. My opinion is that one of the cooperatives was not interested in organic production. They were just satisfied because they had got their houses, land and some money. The other one maybe has a chance to become certified according to my opinion. I don't think that they will continue the registering process. They were interested in the beginning, but not any longer. In one cooperative they used forbidden materials for sure, and I realised it because I saw it myself, and other people maybe just put it away. "

3.13 Market alternatives for the cooperatives

(Pavlovic & Zachs, 2006), says that according to the original plan, the four local governments were supposed to buy and distribute organic food to:

[…]"Local schools, hospitals, hotels and reduce or call off local taxes related to organic farming" …"The local authorities will support the three cooperatives when they address to banks, agencies or different funds for machinery or equipment. These authorities will also be active in promoting the idea of organic farming at all levels."…" They will not deal only with production of organic food, but also with selling it in on the local and international market. Along with 25 shops (of 250) that will sell organic products in Belgrade and Novi Sad, contracts with at least one international organic trader will be signed to make disposal of organic products more certain."

According to Pavlovic & Zachs, (2006):

The products were to be sold […]"through TERRA'S own chain of bio shops and markets in Serbia, there are sixteen of these, as well as trough other private bio shops in Belgrade, for example, with more then 200 of these" …"as another practical way to sell their products, organic farming cooperatives, when registered, can open its own wholesale or retail bio shops locally or in Belgrade, Novi Sad, Vrsac, etc."…"One of the cooperatives will be especially focused on the most profitable organic products like strawberries (currently) and equipped with a cold storage plant or a dryer."

Pavlovic & Zachs, (2008), states that:

"The market exists, but it is necessary to take organic farming seriously and to produce correct products."

According to Pivnicki, (appendix II), there is hardly any market at the moment; only approximately 2 % of the population is prepared to pay a higher price and there are only a few farmers that are certified organic producers. However, 2% is still a huge number of people to supply. He doesn't think that it is as low as 2%, it could be 10 %. This year (2009), the government decided to give money for the marketing of organic products, 30 000 DIN (over 300 Euros (March 2009) per ha for vegetables and 20 000 DIN (over 200 Euros) (March 2009) per ha for other crops.

According to Pivnicki, (appendix II), there are no big purchasers of organic products in Serbia at the moment, but it could be in the future. He thinks that if there is a separate place (it is regulated by law that it has to be separated in the shops) and on the marketplace for organic products it should be easier to market the organic products.
When we visited Belgrade, we interviewed Vlade Zaric, professor at the institute of agricultural economics at the faculty of agriculture at the University of Belgrade (Appendix III). His main topics are marketing and trade at the faculty of agriculture at the University of Belgrade, and he is not directly involved in organic production, only in the selling and marketing of organic products. He says that the main problem in his opinion is that people isn't prepared to pay a higher price for the organic products. Some of problems with the organic market in Serbia have to do with the marketing channels and the structure of the markets that has changed. The greenmarkets have always been important for farmers, but since the supermarkets were introduced in 2001, the importance of the greenmarkets has declined as well as the wholesale markets. This has affected the small farmers who aren't interesting for the supermarkets purchasers, because of the small quantities that they produce, unless they get together and cooperate with other farmers.

Zaric, (Appendix III) says that most of the small farmers and especially the organic ones only sell fresh products; they don't store or process them in any way, and they often have very limited means for transportation and that all together makes the marketing chain very short, and that means that they have a very limited outlet possibility. Then they won't have any added value in their product and can't take out a higher price. If they want to sell to the big supermarkets or export their products they need to fulfil three basic things; Quality, quantity, and continuity. If they produce a small quantity they need to find a business partner, form a cooperative for instance. "Then you have the problem with trusting each over…"

According to Pivnicki, (appendix II), the farmers in the project could earn money as conventional producers. They would have a market in their own villages were people are poor and aren't able to pay for organic products. If they want to export, GLOBALGAP could be an alternative. Then they can be certified one year but not the next and they. Processors can sometimes invest money in certification of their producers – depending on what certificates they need. Pivnicki, (appendix II), states that the cooperatives need information about the market, where to sell and how to take out a higher price for their products. The first steps for them are to have a plan for how and were they are going to sell their products.

Figure 8.Autumn wheat and Lucerne cultivated in the cooperative land in the village of Basaid (Engman & Persson, 2009).

3.14 Crops

The joint piece of land in the first cooperative consists of seven hectares of agricultural land which is rented for a period of ten years. The crops that are produced in the common outdoor fields are autumn wheat, maize, lucerne and sunflowers. One family in the cooperative has an outdoor field of approximately zero point fifteen ha, where they grow different kinds of vegetables: beans, carrots, onions, potatoes and tomatoes. In addition to vegetables the family has a couple of rows of fruit trees, where apples and cherries are produced. All of the products are consumed within the family. Another family has a greenhouse where they are cultivating butter-head lettuce, onions, tomatoes, cucumber and capsicum during more or less the whole season (appendix I).

The second cooperative is producing soya beans, wheat, maize and lucerne in the common land on a total area of five ha. In the greenhouse the interviewed family grows capsicum, tomatoes, lettuce and onions during the wintertime. Vegetables grown outdoors are onions, carrots, potatoes and red beet. The family additionally has cherry trees (appendix I).

The third cooperative has four and a half ha of agricultural land. Crops in the outdoor cultivation are lucerne and maize, and besides these crops wheat will be sown during the autumn of 2009 (figure 8). Additionally the interviewed family has a greenhouse where they grow lettuce, tomatoes, onions and capsicum (appendix I).

3.15 Postharvest

In the first cooperative the harvest is collected by either a purchasing company, sold in the village or stored to provide the animals with food. The members of the cooperative purchase the feeding crops to provide their animals with food. The harvest of maize, autumn wheat and lucerne is used as animal food, while the sunflower harvest is used both for animal and human consumption. The sunflower harvest is sold to a company that processes it into sunflower oil. The maize corns are dried and crushed into small pieces to become animal food at the farm. Besides this there is no processing of the products and the products are neither packaged nor marked with any labels before selling.

The greenhouse crops are purchased by a company which collects them directly after harvest. The price of tomatoes has declined because of competing with other farmers. Despite this fact the members mention that an advantage with greenhouse production is that the crops ripe earlier than in outdoor fields, which allows them to make a good profit at the beginning of the season (Appendix I).

In the second cooperative maize, soya beans and lucerne are used as animal feed, while wheat is used for human consumption. Most of the products are sold at the market in Vrsac (closest town), to other members of the cooperative or to a grocery store in the village. All products are sold fresh, and processing is just made with crops that the family is going to use. The harvest from the cherry trees is entirely used by the family (Appendix I).

In the third cooperative, the crops from the greenhouse are sold fresh directly after harvest. The crops are sold to private consumers at the farm, and some of the harvest is also sold on the local market. Parts of the crops are supplying the family with food. Lettuce can be difficult to sell because many farmers are producing this crop. Capsicum and tomato are crops that can be sold easily. The farmer states that the consumers are aware of the healthiness of his products. Lucerne and maize are grown as animal food. As long as they have no own animals the crops that are grown for animal food will be sold. The family is not self-sufficient on the earnings from the greenhouse crops, but together with the outdoor crops the income is considered to be acceptable. The price is varying over the season with the highest price in the beginning (Appendix I).

3.16 Activities within the Project during 2007-2008

According to Pavlovic & Zachs, (2008), some of the activities that were taking place during 2007 were;

- The members of the cooperatives and the project coordinator attended both Terra's basic and advanced course in organic farming.
- Cooperatives were registered at the end of 2006, Moreover; the harvests were not very good in 2007, due to drought and high temperatures in the summer.
- Terra's did the field visits to all families, in order to check the current situation and create individual plans for organic farming for each one.
- The whole group attended practical part of Terra's course in organic farming, called 'Day of Experimental Fields'.
- Terra's inspectors carried out inspection in the field (individual and joint plots).
- Project Coordinator and directors of cooperatives attended seminar in production of organic food.

According to Mitrasinovic, (2009), some of the activities that were taking place during 2008 were;

- A workshop was organized dealing with the importance and role of women in the development and the strengthening of the cooperative.
- Sampling of soil was undertaken by Agrozavod several times during 2008.
- Contracts were signed with the directors of cooperatives regarding the handing over of the agricultural machinery.
- An inspection of organic production was undertaken.

- The members who produce organic food in greenhouses attended a seminar in Subotica, with the main aim was to promote the production which is specific and special for greenhouses.
- Practical training for the members was organized, dealing with food production in greenhouses.
- A large private greenhouse plantation was visited in Veliki Radinovci, near Ruma. “The participants who produce organic food in greenhouses had the opportunity to see the production of various products (pepper, tomato, cucumber and cabbage), the ways of cultivating and picking, sorting and packing of organic products. It was explained to our beneficiaries how greenhouses are heated, how they can launch their products, etc. The main aim was to get insight into the specific aspects of growing organic products in greenhouses. The beneficiaries got contact numbers of persons dealing with organic products sale, as well as the addresses and phone numbers of the people who sell organic fertilizers. The participants were highly interested in the subject, showing their interest through numerous questions and active participation in the training."
- Contracts were signed between SGS representatives and the directors of cooperatives regarding the certification of organic products. Inspection was carried out SGS in all places.
- Study trip to Hungary was undertaken where “the directors could have insight into the system of food and cattle production and the trade of organic products. A visit to the greatest green market in central Europe was organized, as well as a visit to a bio farm and contact with individual producers of organic food.”

3.17 Future activities within the cooperatives

Mitrasinovic, (2009), says that:

[…]“Necessary conditions were provided (education; joint and individual plots; counselling; forming of cooperatives; seeds and fertilizers) for creating jobs and earning stable incomes in a long-run, which guarantees sustainability of the intervention in the future.”

At a meeting with Terra’s at the end of the project period, the cooperatives directors and project coordinator agreed to the following further activities: education of cooperatives directors in the field of agro tourism management (development of entrepreneurship qualities, management planning, market development, market trends, and financial plans). Seminar in the field of economy (payment instruments, income, structure of total income, annual account of business results, expressing loss or profit, final reports...)
Seminar in the field of legal matters (regulations within labour law, obligation relations, keeping records... (Mitrasinovic, 2009).

3.18 Conclusions about the project from the staff of Odraz

According to Mitrasinovic, (2009), there was a:

[…] “lack of base-line study which was not done before starting the project. So, some important information missed (readiness of local authorities to cooperate in the project; real needs of beneficiaries; quality of land; infrastructure in Banat region etc). IM has started the project quite unprepared and was forced to arrange many issues in the meanwhile. Due to this fact, we were sometimes not in a position to make accurate plans and foresee some of the issues. Consequently, we could foresee that initially engaged agency Organic Control System would lose their accreditation for issuing organic farming certificates, which for its consequence had the change of the agency which significantly slowed us down in the implementation of the main project activity-certification of individual producers and the registered cooperatives in organic farming."

Pavlovic & Zachs, (2008), says that:

"During implementation of the project appeared that the majority of families were interested in solving housing problems, but not to create sustainable living for themselves. Now, it is complicated to involve them properly in further processes after getting ownership of the houses."

However, in the last annual report Mitrasinovic, (2009), says that:

[…] "in spite of occasional problems with some of the beneficiaries, we could say that most of them were interested in both solving housing problem and creating sustainable living for themselves."

To sum the whole project up, Mitrasinovic, (2009), states that:

[…]"Generally, it is good and all-inclusive model for integration, as well as for rural development. What is important is to set accurate and adequate criteria for selection of candidates, which is essential for later success. Many international organizations and state institutions, including some representatives from the Ministry of Agriculture, Forestry and Water Management, were fascinated by the model we implement."

4. MATERIAL AND METHODS

4.1 The enquiry

In order to identify the cooperatives capability to support their current and future potential members, I decided to create a business climate enquiry (appendix IV).The enquiry would identify the weak spots and potential threats to the cooperatives, in order for them to be functional and successful enterprises.

The enquiry was carried out during the study trip to Serbia in the end of March until the beginning of April 2009. It was handed out to all of the members of the cooperatives (the beneficiaries) who were older then 18 years old **and** involved in the work of the cooperatives, in all of the four villages (table 5). The enquiry was originally in Swedish, then translated into English and then, with assistance from the staff of Odraz - into Serbian. It is therefore quite possible that there have been some misunderstandings or errors made concerning the language.

There were 6 different alternatives, **A**. Very much, **B**. Much, **C**. Medium (yes, there is), **D**. Little, **E** Nonexistent (no, there is none), **F**. I have no opinion/I don't know.
There were four different levels of education that the participants in the enquiry could choose from; compulsory school (age 7-15), upper secondary school (age 15-18), post-secondary school (age 19-), university/college of higher learning.

4.2 The interviews

The reason why we decided to do interviews was because it is easier to communicate through speech than in writing when neither they nor we have English as our first language. It was also sometimes hard to find material that is written in English. The interviews with the members of the cooperatives were carried out in Serbian/ English with an interpreter (appendix I-III); all other interviews were carried out in English. The interviews were conducted during the study trip to Serbia.

4.3 Literature review

The literature study was accomplished through reading the reports that has been made by the SOIR-IM, material collected during our visit in Serbia, from the professors and by searching the internet.

4.4 The study trip to Serbia

The study trip to Serbia was carried during two weeks in the end of March until the beginning of April 2009.

5. RESULTS

5.1 THE BUSINESS CLIMATE ENQUIRY

Table 5. Gender and age structure of the particanpants in the enquery made by Lina Engman and Johanna Persson (Engman, 2009).

Gender:		
Female		20
Male		27
Did not state their gender		1
Total		**48**
Age structure:		
	18-25 years	6
	26-35 years	12
	36-45 years	10
	46-55 years	7
	56-65 years	6
	66-75 years	4
Total		**45**
Did not state their age		4
Total		**49**

Incentives

The stimulus from banks is rated as very low, 30% thinks that it is little to none existing, 8% rates it as high or very high, 4% as medium high, and 58% do not know or do not have any opinion. The situation is almost the same concerning the stimulus from companies and politicians. Somewhat better is the stimulus from the EU. 14% think that it is high until very high, 10% that it is medium, 27% that it is little to none existing and 49% do not know or do not have any opinion.
The stimulus from the community is rated higher then all the other institutions, 31% think that it is high until very high, 23% as medium; 23% as little to none existing and 23% do not know or do not have any opinion.
When getting into the stimulus from special interest organizations, 42% think that it is little to none existing 17% think that the stimulus is high or very high, 15% think that it is medium, and 27% do not know or do not have any opinion.

Confidence

A majority of the members rates their confidence in their neighbours and associations (72%), salespersons (66%) and aid organizations (81%) as high or very high. Participant's trusts in

purchasers is varied, 28% rate it as little to none existing, 27% as medium, 26% rates that their confidence is high or very high, 18% do not know or do not have any opinion.
The majority of the members rate their confidence in the police and juridical system as high or very high. The second largest group (27%) rates it as medium.

The public administration and the local government got a mixed result when it comes to earning of the members trust, 43% rated their confidence in the public administration and 45% the local government, as high or very high, between 31% and 35% rates it as medium and less than 5% do not know or do not have any opinion. About 25% of the members rate their confidence in the public administration as little to none existing. The local government got a less of bad judgement; only 16% rated their confidence in the local government as little to none existing.

When it comes to the confidence in the EU, 47% of the participators' do not know or do not have any opinion, 20% rates it as little to none existing, 16% rate it as medium and 16% as high or very high. Banks are one of the institutions that get the lowest ratings of all when it comes to earning the members trust. 53% rates their confidence as little to none existing, 8% as medium, 8% as high or very high. 31% do not know or do not have any opinion.

Retailers of inputs

The majority of the members rate the access to retailers of inputs such as seeds for sowing and fertilizers as high or very high, 50% rates the access to breeding material as high or very high and 47% machines (spare parts, service) as high or very high. The participant's ratings of the access to engineering are mixed. 35% rates it as high or very high, 4% as medium, and 28% as little to none existing. 33% does not know or do not have any opinion.

Environmental demands

Just above 30% of the members' asset the environmental demands from environmental organisations as high or very high. Just as many think that it is medium, 16% think that it is little to none existing and 23% do not know or do not have any opinion .The demand from the authorities is debated, 22% think that it is high or very high, 16% think that the demands is medium, 30% think that it is little to none existing and 31% do not know or do not have any opinion. The environmental demands from aid organizations are rated as high or very high by a clear majority of the members, 78%.

Veterinary surgeon

The availability to veterinarian surgeons is high, there are skilful and a majority thinks that they do not overcharge the members; however the second largest group do not know or do not have any opinion.

Healthcare

Acute health care and preventative medical care comes at a very satisfying level, but preventative work against workplace accidents is more disputed, 31% do not know or do not have any opinion, 23% think that the access is little to none existing, 31% think that the access is high until very high.

Means of communication

The infrastructure for information such as telephone, newspapers or other papers and television comes at a very satisfying level. However the access to the internet is more dubious, but even though; 58% thinks that there is high or very high access to the internet.

Information

The access to independent and free information through counselling is satisfying to the majority of the members; however the access to experimental work is worse. Only about 19% of the members think that the access to information that comes out of experimental work is high or very high, 13% think there is medium access, and 44% think that there are little to none existing. 25% do not know or do not have any opinion.

Sales opportunities

Local market **Global market**

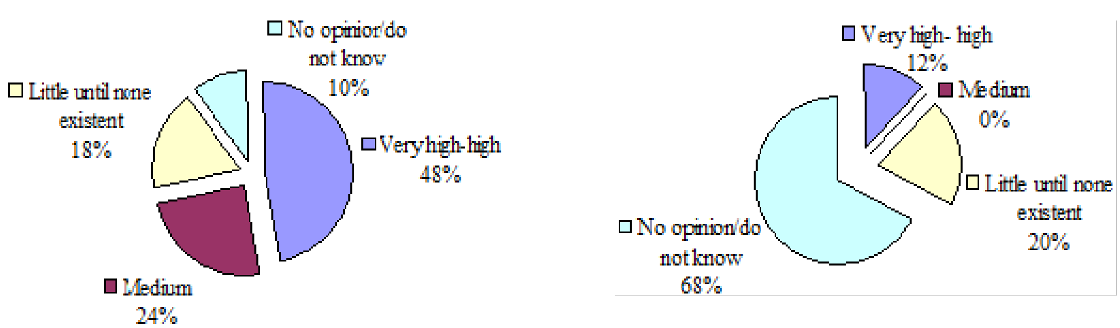

Figure 9.The members' opinion about the access to local and global markets (Engman, 2009)

Sales opportunities

When it comes to the sales opportunities (figure 9), on the local market, about 47% think that the access is high or very high, 25% think that it is medium and 18% think that it is little to none existing, and 10% do not know or do not have any opinion. The access to the global market was rated lower than the local market (figure 9), 12% think that it is high or very high, 20% think that it is little to none existing. 67% do not know or do not have any opinion.

Precursors and role models

When it comes to getting in touch with precursors and role models; meetings and study visits get the highest ratings. 48% rates the access to them as good or a very good way, 11% as medium, 29% as little to none existing , 11% do not know or do not have any opinion. Special interest organizations get a mixed rating, 32% thinks that there is high or very high access, 17% think that it is medium, 27% think that it is little to none existing. 15% do not know or do not have any opinion. The access to trade fairs, exhibitions and conferences gets the lowest ratings, 40% think that it is little to none existing 7% that it is medium, 20% think that it is high or very high 33% do not know or do not have any opinion.

Insurances

The access to insurances for animals was rated by 39% of the members as little to none existing, 27% rates it as high or very high, 6% as medium and 27% do not know or do not have any opinion.
The access to insurance for people, buildings and crops get almost similar ratings, less than 10% of the members rate the access as high or very high, about 6% rates it as medium, and 41% till 45% rates it as little to none existing . Almost 40% till 50% do not know or do not have any opinion about the access to insurance for people, buildings and crops.
The access to insurances if unemployment or if bankruptcy has occurred was rated as little or none existent by less people than in the case with the insurances for people, buildings and crops. However more people stated that they do not know or do not have any opinion, (59%) and when it comes to the access to retirement insurances that number is 77%. 21% rated the access to retirement insurances as little to none existing and 2% as medium. There is no one that thinks that it is high or very high.

Further education in agriculture/horticulture

The access to education within the cooperative is rated as high or very high by 34%, as medium by 4% and as little to none existing by 20%. 43% do not know or do not have any opinion.
34% stated that there is little to none existing access to study circle/adult education classes, post-secondary school or similar education forms, 10% as medium access and 23% as high or very high access. Over one third does not know or do not have any opinion.
The access to university/college of higher learning is rated by 25% the members as little to none existing, as medium by 6%, as high or very high by 12%. 56% do not know or do not have any opinion. 53% of the members have finished the compulsory school and 47% have finished upper secondary school.

Entrepreneurs

The members' opinion about the access to entrepreneurs is mixed. The access to machine stations and repair shops are rated almost in the similar way, high or very high by about 30%, as medium by 4% until 10% and little to none existing by about 35%. 22% until 29% do not know or do not have any opinion. According to the members, the access to craftsmen is a little lower in comparison to machine stations and repair shops, 26% states that it is high or very high, just as many says that it is little to none existing. The number of members that rate it as medium is 16%, 31% do not know or do not have any opinion.

Infrastructure

Close to 50% of the members state that the access to railways, waterways (e.g. rivers, lakes and seas) and motorways is little or none existing. When it comes to the railways, the second most occurring answer is do not know or do not have any opinion (25%), the second most occurring answer when it comes to waterways and motorways is high or very high access (21% till 27%). When asked about other roads (gravel roads not included), a little less people, (39%) think that the access is little or none existing. 20% rate it as medium.

Energy

The access to fossil energy (oil, coal, natural gas), is rated as high or very high by almost one third, 17% as medium, almost one third as little till none existing, and almost as many do not know or do not have any opinion. When it comes to the access to non-fossil energy (sun, water, wind, ethanol, and biogas), 25% of the members' rates it as little to none existing, 6% rates it as high or very high, and 8% rates it as medium. 60% do not know or do not have any opinion.

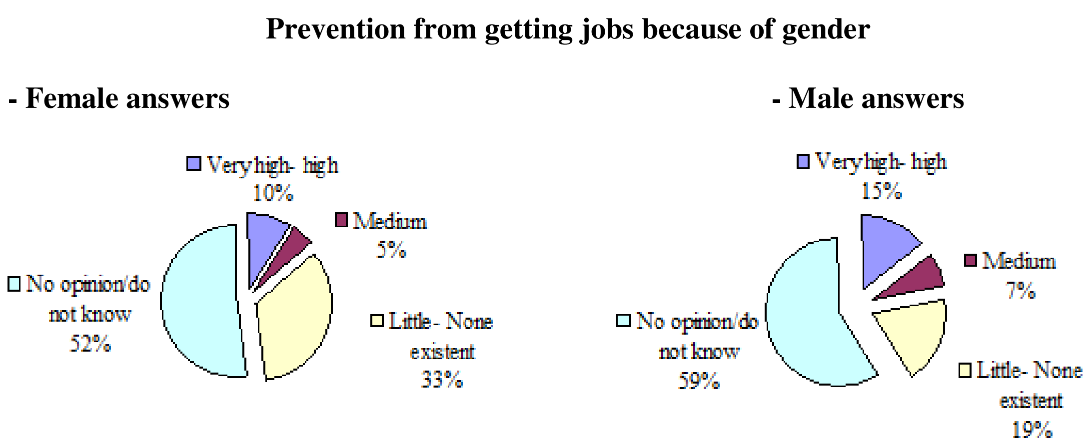

Figure 10.Male and female answers when asked if people are prevented from getting jobs because of gender (Engman, 2009).

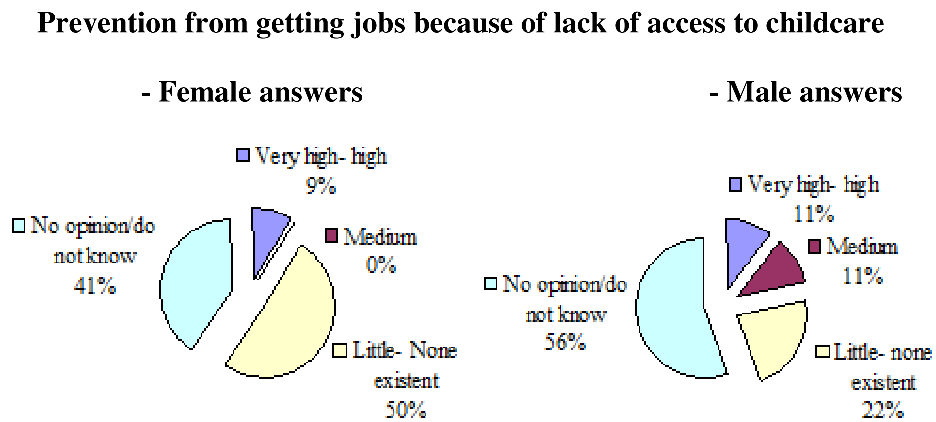

Figure 11.Male and female answers when asked if people are prevented from getting jobs because of lack of childcare (Engman, 2009).

The structure of employment market

Are people prevented from getting jobs because of the language they speak, their origin, religion, gender or the lack of childcare? All of the categories got a majority of 'do not know or do not have any opinion'- answers. The second most occurring answer in all of the categories was little to none existing. When splitting up the answers into two different categories, male and female, the following result revealed itself on the question about the prevention from getting jobs because of gender (figure 10); 33% of the women and 19% of the men thinks that people are prevented to an little to none existing extent, 7% of the men and 5% think that it is medium and 15% of the men and 10% of the woman think that people are prevented to an high or very high extent. 59% of the men and 52% of the women do not know or do not have an opinion.
When it comes to the prevention from getting jobs because of lack of access to childcare (figure 11), 50% of the women and 22% of the men thinks that people are prevented to an little to none existing extent, 11% of the men and none of the women think that it is medium, 11% of the men and 9% of the women think that people are prevented to an high or very high extent. 56% of the men and 41% of the women do not know or do not have an opinion.

The access to agricultural land

The access to agricultural land is rated as little to none existing by 36%, as high or very high by 22% of the members. 11% as medium and 32% do not know or do not have any opinion.

Water of good quality

Most of the members',(40%) states that there are high or very high access to water of good quality, 30% that there are little to none existing, 10% that it is medium, and 19% do not know or do not have any opinion.

Access to qualified labour/manpower

Almost 50% of the members think that the access to qualified labour is little to none existing. About one quarter think there is high or very high access, 10% as medium, 16% do not know or do not have any opinion.

Bureaucracy and corruption

According to the members in the enquiry, bureaucracy and corruption does not occur in such large extent. 2% think that the rate of corruption is high or very high, 4% that it is medium, and 25% that it is little to none existing. 69% do not know or do not have any opinion. However the ratings on bureaucracy is somewhat higher, 11% think that it is high or very high, 6% that it is medium and 19% think that it is little to none existing. 64% do not know or do not have any opinion.

The possibility to borrow capital

20% think that the possibility to borrow capital is high or very high, 8% think that it is medium, 22% think that it is little to none existing. 49% do not know or do not have any opinion.

Should Serbia join the EU?

- Male answers **- Female answers**

Figure 12.Male and female answers when asked if Serbia should join the EU (Engman, 2009).

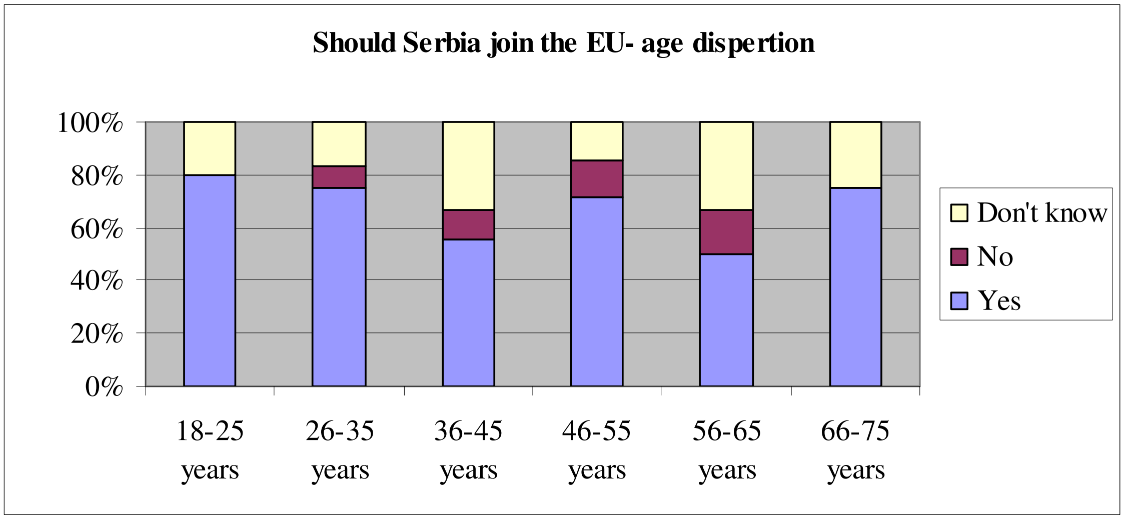

Figure 13.The age dispersion, both male and female, when asked if Serbia should join the EU (Engman, 2009).

The EU

71% wants Serbia to join the EU, 21% do not know and 8% says no. When splitting up the answers to find out if the men's and the women's opinions are different (figure 12), the following result revealed it self: 74% of the men and 65% of the women say yes to the EU, 11% of the women and 5% of the men say no, and 30% of the men and 15% of the women do not know.

When it comes to the age dispersion (figure 13), on the question on whether Serbia should join the EU or not, 80% of the 18-25 year olds says yes and 20% of them do not know. Among the 26 - 35 year olds 75% say yes, 8% no and 17% do not know. 56% of the 36-45 year olds say yes, 11% of them say no and 33% do not know. When it comes to the 46-55 year olds, 72% of them say yes, 14% say no and 14% do not know. 50% of the 56-65 year olds say yes, 17% say no and 33% do not know. 75% of the 66-75 year olds say yes no one say no and the rest do not know.

6. DISCUSSION AND SUGGESTIONS

Has the goal of making the cooperatives profitable enough in order for them to: 1) support the families already involved and 2) support more people by offering them membership in the cooperatives been achieved? In the last annual report Mitrasinovic, (2009), says that:

"Conditions were created by solving the housing problems for 28 families, cooperatives were registered, cooperatives directors and all beneficiaries were trained, educated and a lot of effort was put in strengthening the cooperatives, which seem to be the most important for the ensuring of sustainable living of our beneficiaries."

The quantitative indicator, the number of members that were selling organic products, was achieved by all but one family according to Mitrasinovic, (2009), who says that:

"We are not talking about large quantities of agricultural products, but it is important to mention here that the products produced both on individual and joint pieces of land were sold in all the tree included municipalities."…"The registered cooperatives have become fully functional and stable and they have started making some modest profit."…"The majority of beneficiaries think that they are self-reliant and have gained satisfactory level of autonomous living."

In order to evaluate whether or not the cooperatives are able to fully support their members is hard, due to the lack of documentation among the members of the cooperatives. I have therefore concentrated my research on evaluating if there are proper conditions for running an agricultural business such as the cooperatives, and identify possibilities and threats to the future development of the cooperatives. Based on the results from the business climate enquiry and the literature study I have reached the following conclusions:

6.1 FACTORS CONTRIBUTING TO THE DEVELOPMENT OF THE COOPERATIVES

The members of the cooperatives have <u>high or very high</u>…

- confidence in their neighbours and associations**,** in salespersons, aid organizations the police and the juridical system, the local government and the public administration

The members of the cooperatives are provided with <u>high or very high</u> access to:

- retailers of inputs such as seeds for sowing and fertilizers, breeding material and machines (spare parts, service)
- acute and preventative health care
- infrastructure for information such as telephone, the internet, newspapers or other papers, radio and television
- independent and free information through counselling
- veterinary surgeons that are skilful

- water of good quality
- inspiration and new impressions in from of meetings and study visits

Sales opportunities on the domestic market

The members in the business climate enquiry state that they have high or very high access to the domestic market. However, my opinion is that the domestic market is not yet big enough to support the cooperatives. The second sub goal was the […]"selling of organic products on the local and international market". Mitrasinovic, (2009), says that:

According to Mitrasinovic, (2009) […]"the products produced both on individual and joint pieces of land were sold in all the three included municipalities."
"We are not talking about large quantities of agricultural products, but it is important to mention here that the products produced both on individual and joint pieces of land were sold in all the tree included municipalities."

According to Pavlovic & Zachs, (2008), the quantitative indicator was the […]"applied number of contracts or other arrangements with healthy food shops or international traders." Mitrasinovic, (2009), says that:

"In spite of the fact that there have not been such arrangements yet, our beneficiaries have established good connections with local shops and they managed to sell their products. Furthermore, a serious organic shop from Belgrade, the capital of Serbia, has started buying the products from our beneficiaries."

The domestic market is according to IFOAM, (2009d), "small and invisible". Only about 1% of the certified organic products are sold in Serbia. The knowledge of the organic way of producing is low among the public in Serbia IFOAM, (2009b). Some organic products are sold on permanent green markets in Subotica and Novi Sad, but the economical worth of it is small, and serves mostly as a way of promoting the domestic organic agriculture. The government's development of the organic agriculture is driven without that much consultation with the sector. All parts of the production and distribution chain are present but the sector is in need of organization. The main actors, donors and companies, have no ambition to do that job (IFOAM, 2009a). In 2006, very few received the subsidies for organic production, due to problems with adapting the system to the users (IFOAM, 2009c). IFOAM, (2009d), states that all studies have shown that the Serbian consumers are willing to buy more, and pay more, for products with added values such as certified organic products. Pavlovic & Zachs, (2008), states that:

"The market exists, but it is necessary to take organic farming seriously and to produce correct products."

The domestic market is a future possibility, but right now, the export market is according to my opinion, the only way to make the cooperatives profitable. I think that the access to the domestic market was quite overrated when the project was planned and more efforts should have been put on reaching the global market from the beginning.

6.2 RESTRAINING FACTORS TO THE DEVELOPMENT OF THE COOPERATIVES

According to the business climate enquiry the members of the cooperatives lack access to:

Information through experimental work

Only about 44% think that there are little to none existing access to information through experimental work. This is supported by IFOAM, (2009b), state that there is no serious field research projects being done in Serbia, and the organic production is not a part of the educational system, although educational programs for farmers is available since 2006. Serbia was ranked 64 out of 173 in the Press Freedom Index 2008 (Reporters without borders, 2009). This could be a reason to sometimes doubt the information required from the Serbian media. Even though this probably does no affect the everyday life of the farmers, it is a less flattering judgement for a democratic state such as Serbia.

Incentives from special interest organizations

The stimulus from special interest organizations is rated as very low. The lack of incentives could severely hold back the development of the cooperatives.

Inspiration and new impressions in form of trade fairs, exhibitions and conferences

The access to trade fairs, exhibitions and conferences get low ratings from the members. This could be because of the fact that kind of phenomenon does not occur in such large extent, or because of the lack of funds in the cooperatives, which only enables a smaller part of the members to take part of such activities. This is understandable, and hopefully in the future, more people could get access to these activities, that could contribute to the development of the cooperatives.

Infrastructure

According to Landguiden, (2009), the network of roads is in a poor condition due to bad maintenance in the whole country except near the large cities where they are relatively good. The staff of Odraz concludes that one of the factors that should have been further investigated before the project began was the condition of the infrastructure in region (Mitrasinovic, 2009). Close to 50% of the members state that the access to railways, waterways (e.g. rivers, lakes and seas) and motorways are little or none existing. When asked about other roads (gravel roads not included), a little less people, (39%) think that the access is little or none existing. Little access to alternatives could make the demand for transportation by trucks unreasonably high, due to lack of concurrence from other ways of transportation. Roads in bad condition could restrain the supply chain to the purchaser and make the transportation unnecessary long and costly.

Confidence in banks

Banks are one of the institutions that get the lowest ratings of all when it comes to earning the members trust. The lack of trust in the banking system does not contribute to the development of the Serbian agriculture. Especially since I think that the banks are one of the most important institutions when it comes to turning the situation around for the agriculture in Serbia, and thereby the prosperity for the whole country. That is because of the significant part that the agriculture constitutes in the Serbian economy. 25% of the GDP makes the agriculture the largest sector in the economy. Primary agricultural products accounts for 16-17% of the total exports (IFOAM, 2009a). In order to develop the agriculture, capital is needed.

Access to qualified labour/manpower

Almost 50% of the members think that the access to qualified labour is little till none existing. The cooperatives do not have an immediate need for employing; however in the future the need might occur, and then it could hold back the development of the cooperatives.

6.3 ACCORDING TO THE BUSINESS CLIMATE ENQUIRY THERE IS UNCLEAR ACCESS TO THESE FACTORS:

The access to these factors got mixed answers or the most occurring answer was “do not know/ do not have an opinion”. If missing, they could all be potential restrains to the development of the cooperatives.

Entrepreneurs

The members’ opinion about the access to entrepreneurs such as craftsmen, machine stations, and repair shops is mixed. This could be a result of regional differences or that the lack of access maybe has resulted in that the members do the job themselves, and therefore the access is kept at a low level. However, if there is a lack of supply, it needs to be fulfilled.

Inspiration and new impressions from special interest organizations

Special interest organizations get a mixed rating. The importance of special interest organizations could not be enough stressed in my opinion, and it could seriously restrain the development of the cooperatives.

The access to (and quality) of the agricultural land

The access to agricultural land is rated as little till none existing by most people. However, the fact that as many as 22% think that the access is high or very high could be an effect of regional differences. In Vojvodina, 52% of the arable land area is covered by Chernozem, or as it is called "black earth". The soil has a high nutrient status, excellent structure and high water retention capacity which make it excellent for growing cereals. It is also a good soil for growing vegetables under the condition that the soil is irrigated *(*Encyclopedia Britannica, 2009). This creates excellent circumstances for farming in Serbia, and the access to it is essential to the cooperatives.

Energy-fossil and none fossil

When it comes to the access to non-fossil energy (sun, water, wind, ethanol, and biogas), 60% do not know or do not have any opinion. There is probably very few that would consider paying more for the none-fossil energy when the fossil energy is expensive as it is. Otherwise, this line of products could perhaps be a future niche for the cooperatives to produce.
The access to fossil energy (oil, coal, natural gas), is debated, and I cannot draw any conclusions on whether the access is satisfying or not, other than that there might be regional differences.

Education in form of study circle/adult education class, post- secondary school or similar education forms, university/college of higher learning and education within the cooperatives

Further education in agriculture/horticulture in form of study circle/adult education class, post-secondary school or similar education forms could be an excellent way to keep up with the latest information within the line of business. Most of the members do not know or do not have any opinion about the access to education within the cooperatives in the business climate enquiry. Perhaps has the education not been enough, despite the relatively extensive educational program that the organisation Terra's has provided the members. The education in organic farming got in general 4.35 out of 5.00 possible points in the enquiry made by the staff of Odraz. When it comes to the possibility to apply their newfound knowledge in organic agriculture, they rate it 3.88 out of 5.00 possible. According to Brkljac, (2009), a small number of those who were completely dissatisfied with this segment report say that it is because of that:

"The land was inappropriate and they could not apply their knowledge"

Most of the members do not know or do not have an opinion about the access to university/college of higher learning. Perhaps this is a consequence of that 53% of the members in the business climate enquiry has the compulsory school as their highest level of education (47% the upper secondary school as their highest level), and thereby have not even considered if the access is high or not.

Incentives from the EU banks, companies and politicians

The stimulus from the EU, banks, companies and politicians (e.g. tax levels and subsidies) is unclear. The lack of incentives could severely hold back the development of the cooperatives.

Confidence in the EU and purchasers

Most of the members answered that the do not know or do not have an opinion about their trust in the EU. In my opinion, the EU will play a significant part in Serbia's future, and thereby the future of the cooperatives. People's trust in purchasers is varied which could be explained by different personal experiences. This could prevent the cooperatives from contacting purchasers and thereby loose a potential good agreement.

Insurances

In order to be able to take risks and invest both in time and money, the members of the cooperatives need to be able to insure their belongings, crops, future employees, themselves or if unemployment or bankruptcy has occurred. A lack of access could seriously hold back the development of the cooperatives.

The possibility to borrow capital

The credit market is restricted because of factors like; the lack of demand for credits, limited trust in the banking system and other financial institutes due to previous experiences of "pyramid" schemes, the farmers lack of knowledge and experience in the creation of a business plan that leads to higher administrative costs, market interest rates that are too high (usually indexed to the Euro), inadequate legal protection and loan guarantees (the use of farmland as a deposit is hard due to inadequate registration evidence), the uncertainty regarding the market for agricultural products, lack of experience in agriculture within the banking sector and above all, the lack of investment credits in the whole financial system in Serbia (Bogdanov, 2008). With governmental subsidy, the farmer only has to pay half of the market interest rate. Zaric, (Appendix III) says that:

"If something is rare on the market the prices go up, and we don't have enough capital in Serbia."

The participant's mixed opinion about the access to credits could derive from negative experiences or no experiences at all with dealing with the banking system. However, in the future they will most certainly have to deal with the banks in order to develop the cooperatives.

Sales opportunities on the export market

The access to the global market got mixed ratings. The high numbers of answers in the category-do not know or do not have any opinion may indicate that the members either don't know or have never even considered the global market as an alternative for them.

The most important products are according to IFOAM, (2009a), wild or cultivated fruits and berries (raspberries, strawberries, blackberries and blueberries), exported as frozen or processed, smaller amounts of frozen or dried plums and sour cherries, jams, sweets, fruit juices and concentrates, vinegar and salted and dried wild mushrooms. According to MOAN (2009), other organic export products are vegetables, essential oils and medical herbs. The key organic products in the regions with intensive agriculture are flour made out of wheat, maize, barley, oats, pumpkin seeds for human consumption, oil from oil beats and sunflowers (IFOAM, (2009a). The crops that are produced in the common land of the three cooperatives are autumn wheat, maize, soya beans, lucerne and sunflowers (appendix I). Some of the products are consumed by the animals, which to me seems like a bit too expensive fodder. From an economical point of view it would be best if the fodder was bought from someone who produces conventionally, since the animal products are not certified or put out on the market. Then, the agricultural land (which in this case is a limited recourse) could be used for crops such as the above mentioned. However, from a logical and practical point of view, this suggestion might seem less realistic. Up till now, the cooperatives have been producing what the people in the villages wants to buy, but it is hard to take out the added value. The cooperatives need some guidance to what the most profitable crops are that they can produce. In my opinion, they should contact a purchaser in the export market area.

The structure of employment market

According to the business enquiry, the members, regardless if it is a man or woman do not have any perception of that people are being prevented from getting jobs because of the language they speak, their origin, religion, gender or the lack of childcare.
The conclusion I make, provided that the questions have not been misunderstood by the members (the high occurrence of the answer "do not know or do not have any opinion" might suggest that), is that there is no larger problems with structural discrimination, at least not any discrimination that is apparent to the members. However, the low ratings of the participation of the women indicates that the men are not that interested in introducing the women to the work in the common land, and that the women on the other hand does not press to get more involved. This means that the cooperatives loose manpower and the engagement of the female members and make the business less efficient. The obstacles is structural, not psychical, women can drive tractors…

Corruption and bureaucracy

Most of the members do not know or do not have an opinion about the level of corruption and bureaucracy, which hopefully not imply that this is in anyway a sensitive issue, but a sign of that the level of corruption and bureaucracy is not such a big issue in the members' mind. However, in 2008, Serbia was ranked 85 out of 180 on the Corruption Perceptions Index (CPI) (Transparency international, 2009), which indicates that there is a high level of corruption in Serbia. According to Landguiden, (2009), one of the conditions that the EU has on Serbia in order to get a full membership, is to lower the level of corruption and organized crime. It might not be a big issue to the members, but in my opinion, this could slow down the development of the cooperatives, indirectly by postponing Serbia's membership in the EU.

6.4 POSSIBILITIES TO DEVELOP THE COOPERATIVES

Membership in the EU

A survey presented in June 2009 completed by the Serbian government, states that almost 61% of the Serbian population thinks that Serbia should join the EU, which is the lowest level since 2002. 17% would vote against a membership and 14% would not vote at al at this moment (The Serbian government, 2009).

According the business climate enquiry, 71% of the members want Serbia to join the EU, 21% do not know and 8% says no. When it comes to the age dispersion of the question on whether Serbia should join the EU or not, the most positive category is the 18-35 year olds. This is in line with the results of the survey presented in June 2009 (completed by the Serbian government), where 52% expect that joining the EU will make life better for the young. The least positive category is the 56-65 year olds. The women are more sceptical to the EU, 65% of the women and 74% of the men says yes to EU.
The business climate enquiry shows that the support to the Serbian membership in the EU is 10% higher among the members in the business enquiry, than among the public of Serbia. Still, it is quite worrying that the level of support to the Serbian EU-membership is decreasing. In my opinion, a membership in the EU is crucial to the future of Serbia, both economically and humanitarian wise. 44% of the inquired by the governmental enquiry expect better employment, and hope to travel to the EU, while 30% see the EU integration as a chance to settle the situation in Serbia, (The Serbian government, 2009).

Although good trade agreements already exist between Serbia and the EU, the neighbouring countries and Russia, Serbia still needs the access to the EU-market (the organic products are mostly exported to Great Britain, Germany, Belgium, Austria and Switzerland) (MOAN, 2009). When it comes to the future of the Serbian agriculture, Zaric, (Appendix III) says that many people think that they will get a part of the EU's support system for the agriculture if and when Serbia joins the EU. According to his interpretation, the EU will have phased out all the agricultural subsidises by the time Serbia gets its membership. Even if the support to the agriculture in the new member states will be lower then it has been before, the Serbian agriculture still needs all the financial support it could get, for instance to repair and build new infrastructure. Never the less, just to be able to travel to Europe without any restriction will, in my opinion, contribute to a higher quality of life and will also give new impressions and ideas to the members of the cooperatives.

Subsidises from the government

According to Pivnicki (appendix II), this year (2009), the government decided to give money for the marketing of organic products, 30 000 DIN (over 300 Euros) per ha for vegetables and 20 000 DIN (over 200 Euros) per ha for other crops. Zaric, (Appendix III), says that compared to how the situation was ten years ago the government is providing a god business climate for the farmers. The ministry is trying to support the agriculture, but the basic problem is the high number of farmers and a limited budget.
Bogdanov, (2008), says that to be able to get subsidises from the government in Serbia, since 2004, you have to be registered, and it is only a small number of the registered farmers who

benefits from the different programs. One reason is because of the fact that the ministry of agriculture is changing the supporting structure from year to year, without previous analysis and public discussions, the farmers and the processing industry can't anticipate the future. When asked if the politicians listen to the farmers Zaric, (Appendix III), says that:

"The politician doesn't do anything that could jeopardize their chances to get votes in the next election, or maybe if there are some protests."

It seems to me that the politicians have an honest intention to support the agriculture in Serbia, but the contempt towards the politicians among the people that we met was compact. This could create confusion about what the terms are, and the farmers might hesitate to make investments. This could slow down the development of the cooperatives. Less talking and more action would perhaps silence the critics.

Refinement

Zaric, (Appendix III) says that most of the small farmers and especially the organic ones only sell fresh products; they don't store or process them in any way, and they often have very limited means for transportation and that all together makes the marketing chain very short, and that means that they have a very limited outlet possibility. If they want to sell to the big supermarkets or export their products they need to fulfil three basic things; Quality, quantity, and continuity. If they produce a small quantity they need to find a business partner, form a cooperative for instance. "Then you have the problem with trusting each over…"

None of the crops that is produced and sold on the market in the cooperatives are refined in any way. Considering the small units that are produced, refining the products in any way is in my opinion not realistic. However, if they manage to increase the members in the cooperatives, this might be an alternative. It seems to me that a cooler could be a necessary investment in the nearby future for the cooperatives. That way, they could prevent that the harvest get destroyed before it even reach the purchasers. Additionally, the harvest does not need to be sold right away, and they could hopefully wait for the moment when the price is the highest.

The certification of the cooperatives

According to Pavlovic & Zachs, (2008), "The third main goal was to make beneficiaries officially certified producers of organic products who are able to sell the products" In the last annual report, Mitrasinovic, (2009), states that:

[…] "the certifying agency Organic Control System has lost their accreditation for issuing organic farming certificates. Consequently, we had to engage another agency, SGS, accredited by the state. They have started the procedure of certifying our beneficiaries, but according to their criteria, this process can be finished in the following year. On the other hand, some organizations in the setting got familiar with the fact that our beneficiaries started producing organic food and they have started buying their products for slightly higher prices than those produced in traditional way. So, in spite of the problem that has arisen, it seems that we are heading in the right direction."

Pivnicki, (appendix II), says that all farmers (except one that is excluded because of the use of forbidden materials) are in the process and they can apply for certification. They must demonstrate that their production is in compliance with organic regulation.
When asked if he think that it is too hard for the cooperatives to get certified, Pivnicki, (appendix II) says that:

"It is not too hard, but they have to comply with the regulations, and make up a plan what to do if this insect attacks and they have to choose the verities right. My opinion is that one of the companies was not interested in organic production. They were just satisfied because they had got their houses, land and some money. The other one maybe has a chance to become certified according to my opinion. I don't think that they will continue the registering process. They were interested in the beginning, but not any longer. In one cooperative they used forbidden materials for sure, and I realised it because I saw it myself, and other people maybe just put it away. "

It is obvious that the SGS (appendix 1) representative has some doubt regarding the members' effort to comply with the regulations. This could be explained by the lack of experience that the members have regarding which products and methods that are approved. The certification of the cooperatives is a necessity according my opinion both for their credibility and their ability to take out a higher price, regardless which market they will sell their products on.

Added values

According to Zachs (interview by e-mail, 2009), there were no reports conducted, to her knowledge, on why organic production was better then any other way of producing. The decision was made after a recommendation from the former local manager in Serbia, who developed the project together with the rest of the staff. As she understood it, the main reason for choosing organic production was that it would increase the cooperatives profitability, and raise their competitiveness. Pavlovic & Zachs (2006) states that:

"The prices of organic products are usually from 20 to 80 percent higher than conventionally produced wheat, fruit, and vegetables, which make organic farming ultimately profitable."

It is true that the organic products are more expensive. This is because of costs involved with the certification process, a higher work effort and the consequences of lower yields; at least if there has been a severe damage from insects or diseases, if the concurrence from weeds is high, or because of lack of nutrients. I think that this, along with the misjudgement of the Serbian consumers' ability to afford the higher cost that the organic products imply, was disregarded when the project was planned. It is not a sustainable situation when the members have to carry the costs for the added value that organic products constitutes because the customers aren't able to pay the higher price. However, the environmental threats should not be neglected, (and I do not question the negative effect that parts of the Serbian agriculture pose on the environment), - in the end it still comes down to the economy of the members. The present economical crisis could not have been foreseen when the project was planned, and could therefore not be blamed on the SOIR, yet, it has probably lowered the Serbian consumers ability or will to pay a higher price even further.

In order to implement a project that involves products in the premium segment, such as organically produced foodstuff in a country that is struggling with serious financial problems, is hard. The aim of this project must be to provide the best economical result for the members, (within reasonable ethical limits), since one of the goals was to prepare the conditions for the members to be able to support themselves and further on; add on members in their community. A market investigation should have been carried out before the project started. I think that it is apparent at this point that the domestic market does not function, and it is very unlikely that the cooperatives will succeed in creating a domestic market on their own. The only way then, as I see it, is to export. Those who is not interested enough to continue to grow organic should be able to produce conventional within the cooperatives for the domestic or the global market.

6.5 THREATS TO THE DEVELOPMENT OF THE COOPERATIVES

The size and structure of the farms

Zaric, (Appendix III) says that people will still live in the countryside, but they won't be able to support themselves from what the farm produces. The population is decreasing and the average age is rising, and young people don't want to stay and work as farmers and the entrepreneurs change fields of work. The big companies have a future, but there is not a situation right now that supports structural changes. The family farms with 10 to 100 ha of agricultural land have no chance to compete with the big farms with thousands of ha of land. Serbia's agriculture could very well concur with the agriculture in the EU-countries if the structure of the farm's changes. Serbia has a good soil, climate, equipment and knowledge. I think that the professional people are aware of the problem, but the politicians only make short term decisions.
The fragmented agricultural land prevents a rational use of the land and the fragmented line of production make the businesses less professional. This could severely restrain the development of the cooperatives.

6.6 FACTORS THAT ARE BOTH TO BE CONSIDERED POSSIBILITIES AND THREATS TO THE DEVELOPMENT OF THE COOPERATIVES

Cooperation

The segment which concerned the forming of cooperatives got 3.25 points in general out of 5.00 possible. The 8 members who reported that this segment of the project with cooperatives was not important to them at all, it appeared that they did not have their own cooperative in their village (Kruscica) (Brkljac, 2009).
When asked if there are other cooperative institutions in Serbia, Zaric, (Appendix III) says that there are some old cooperatives but they almost only exist on paper. They use to be almost like political parties where the farmers didn't have a right to vote. New cooperatives do exist. They are better organized and they are going to change the structure one day with new ways of thinking. According to Mitrasinovic, (2009):

“The registered cooperatives have become fully functional and stable and they have started making some modest profit.”...” Functioning of the cooperatives was improved in 2008 due to the fact that a number of specialized seminars for both the directors of cooperatives and all beneficiaries were organized, as well as a study visit to Hungary, developing team spirit that is necessary for good functioning of cooperative.”

Further on Mitrasinovic, (2009), says that there was a:

[…] “great interest of local inhabitants for becoming members of the cooperatives.”

However, when analysing the answers from the enquiry performed by the staff of Odraz, the cooperatives have not been functioning without problems. Putting together people with different origin, experiences and wishes could at its best be very productive and at its worse, a catastrophe. According to (Brkljac, 2009), when asked about the disadvantages with the project, one comment was that:

’’The cooperatives are badly organised and they are not useful “

However, they are quite satisfied with the work and engagement of the cooperatives’ directors, 3.77 out of 5.00. There were no members who were dissatisfied with this part (Brkljac, 2009). When asked about the atmosphere among the members in the cooperatives, they rated it 3.00 out of 5.00 possible. According to Brkljac, (2009), reasons mentioned for the bad atmosphere were:

“Unequal engagement of all members, bad relationships, lack of unity and cooperation.”

When it comes to the members own personal engagement in the cooperatives, it was rated 3.35 out of 5.00, and reasons for that were according to Brkljac, (2009):

“Either bad relationship with other cooperative members or they did not see it as useful.”… […]” It would have been better if each of us had gotten a smaller parcel and a possibility to choose what they want to raise and how much.”

In this case, the members were and still are more or less forced to cooperate in order for them to support themselves. The situation does not provide the best conditions for a healthy and productive agricultural business according to my opinion. Sooner or later the directors of the cooperatives will loose their energy, struggling to motivate the individuals that do not contribute to the development of the cooperatives. Those individuals should be able to leave the cooperatives. If they choose do that, the question regarding the cooperative ownership of the agricultural land occurs. Should they get some kind of financial compensation when they leave the cooperative? Perhaps one way out is to offer them a passive membership in the cooperatives to those who can’t or won’t contribute to the work in the common land and in the cooperatives.

I also think that the cooperatives should search for new members in their communities. The cooperatives should be able to offer membership not only to future organic producers, but also to the conventional. In that way the cooperatives could benefit in several ways; scale profit when dealing with purchasers, (offering both conventional and organic products), salesmen (fuel and other supplies), banks and certification companies. It will also be possible to have a common workforce, and perhaps refine the products. They will be able to invest in irrigation, greenhouses, storage facilities and common machinery.

The members did not rate joint parcel as very important, 3.12 out of 5.00 possible. According to those who reported that it was not important to them at all said according to (Brkljac, 2009), that:

"The joint parcel was very small and therefore cannot be useful."

The joint piece of land in the first cooperative consists of seven hectares, the second cooperative of five ha, and the third cooperative has four and a half ha of agricultural land. This could seriously hold back the development of the cooperatives. Offering elderly or uninterested land-owners in the communities where the cooperatives are situated, a passive membership and a possibility to get a share of the profit would perhaps give the cooperatives access to more agricultural land.

Motivation

According to Brkljac (2009), Almost 77 % of the interviewed answered that the main reason for their participation was because they had no place to live, 19% participated in the project because of the opportunity to do organic agriculture. 8% of the members did not answer this question. The organic agriculture got in general 4.00 out of 5.00 possible points in the enquiry conducted by Odraz. According to Brkljac, (2009), those who were not satisfied with the organic agricultural segment expressed that it is:

"Because the agriculture generally is not profitable, especially organic agriculture because it takes a lot of time"

When asked about the disadvantages of this project one comment was according to Brkljac, (2009):

''Traditional agricultural production is more profitable than organic"

Pavlovic & Zachs, (2008), says that:

"During implementation of the project appeared that the majority of families were interested in solving housing problems, but not to create sustainable living for themselves. Now, it is complicated to involve them properly in further processes after getting ownership of the houses."

However, in the last annual report Mitrasinovic, (2009), says that:

[…] "in spite of occasional problems with some of the beneficiaries, we could say that most of them were interested in both solving housing problem and creating sustainable living for themselves."

Pivnicki, (appendix II), says that:

"My personal opinion is they are not interested enough to be organic producers right now. They realized that there are no buyers for organic products. But the project is successful in terms of getting houses and being farmers…"

The result of the enquiry is not remarkable in my opinion. In order to be able to earn your living you need a secure and stable living arrangement. Some might say that the buying of houses could have made the members passive, and for a while, it might have done just that. However, the situation with an unstable living arrangement for several families left the SOIR with now choice but to buy the houses. Producing organic sometimes demands more from the farmer than producing conventionally, and it must have been a real challenge to motivate the members in the beginning. Judging by the comments made by the SGS representative and the result of the enquiry made by Odraz, there is still some obstacles regarding the motivation to work according to organic principles. The scepticism among the members should not be taken lightly upon, it suggests to me that some of them will never be motivated enough, and without motivation, the cooperatives have small chances to succeed.

Environmental demands

The answers from the members are mixed concerning the environmental demands from environmental organisations and from the authorities. This could perhaps be explained by the low priority that the environmental questions had and still to some extent has in Serbia and also in most other countries. The environmental organizations probably do not have that much influence on the society - yet.

The environmental demands from aid organizations are rated as high or very high by a clear majority of the members, 78%. The environmental demands could both be seen as a raise of cost and work effort, or, as an added value to the product that hopefully could increase the income of the product and cover the additional costs.

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Maria Zachs, 2009 the SOIR's desk officer for the project, interview by e-mail, 2009.

Vlade Zaric, 2009. Professor at the institute of agricultural economics at the faculty of agriculture at the University of Belgrade in person. His main topics are marketing and trade at the faculty of agriculture at the University of Belgrade, and he is not directly involved in organic production, only in the selling and marketing of organic products, interviewed in person during our study trip to Serbia.

APPENDIX I - INTERVIEW WITH THE DIRECTORS OF THE THREE COOPERATIVES

The interviews were executed by Lina Engman & Johanna Persson, 2009-03-24 – 2009-03-26. The transcript of the interviews had the same origin but the following text has been edited by Lina Engman..

COOPERATIVE I (KUSIC AND KRUSCICA)

A total number of three families have been interviewed in this cooperative. The joint piece of agricultural land consists of 7 hectares which is rented for a period of ten years. The crops that are produced in the common outdoor fields are autumn wheat, maize, lucerne and sunflowers. One family has an outdoor field of approximately 0.15 ha where they grow different kinds of vegetables: beans, carrots, onions, potatoes and tomatoes. In addition to vegetables the family has a couple of rows of fruit trees, where apples and cherries are produced. One family has a greenhouse where they are cultivating butter head lettuce, onions, tomatoes, cucumber and capsicum during more or less the whole season.

Water supply

Two of the interviewed families have their own wells for irrigation and the third one is taking irrigation water from the tap, provided by the communal water system. The two families with private wells state that they do not collect rainwater. During June and July the entire set of crops in the common fields except the lucerne needed irrigation. The lucerne did not need any additional irrigation because it grew close to a stream. The irrigation in the greenhouse and in the vegetable field is performed by hand watering. The greenhouse is located in a slight slope which gives the family the opportunity to dig furrows, and then add water at the upper end letting the water flow by itself out to all the plants.

Crop rotation

The wheat is sown during autumn the year before harvest, whilst maize and sunflowers are sown in April. The harvest of the autumn wheat is executed in July, the harvest of maize in October and the harvest of sunflowers in August or September. In the vegetable field the crops are all grown at the same time, one row of each, and then the next season they move the crop one step further down the rows. This gives the following crop rotation: onions, carrots, potatoes and beans. The tomatoes are not included in the mentioned crop rotation. The crop rotation in the greenhouse constitutes of butter-head lettuce and onions that are grown together (every second plant) twice and after that one culture of tomatoes. A few cucumber and capsicum plants are also planted at the same time as the tomato plants.

Fertilizing

Manure from cows and home made nettle water is used as fertilizers. Additionally to this a purchased special nutrition solvent is used as fertilizer in the greenhouse and in the common fields. In the common fields the manure was spread out by hand and then ploughed down with help from machinery. One member declares that the soil sample that is taken on a yearly basis helps them to decide the amount of nutrition that is needed. The families that are cultivating outdoors say that green fertilization is not used. One member answers the question of whether green fertilization is used or not with that there is no need for this according to the great addition of other fertilizers. She says that adding a huge amount of fertilizers will make the nutrients last for two to three years and that the crops that are most needy according to nutrition requirements are grown first after the adding of fertilizers.

Cultivation methods

The entire set of crops in the common land is harvested with machines. Lucerne is harvested up to five times during a season depending on the weather conditions. Rest products after harvest are mixed or ploughed down into the soil except for straw from wheat which is collected and rest products from beans which are used as animal food. The farmer who grows vegetables outdoors declares that the soil is good but that the cultivation demands a lot of work. She considers that the result of hand work is better so she is performing all cultivation work by hand instead for using a tractor. The plants in the greenhouse are grown directly in the ground soil. Preparation of the soil is made by digging it by hand, adding fertilizers and compost and then planting out the tomato seedlings. The seeds of the tomatoes have been sown in a specially prepared seedbed which is located in one of the greenhouse’s corners. As can be observed the seedbed consists of sticks that are formed as a tent and covered with plastic to protect the seedlings. The substrate consists of straw and a mix of compost and manure that is placed in a thick layer on top of the ordinary ground so that the seedbed becomes raised above the ground. The greenhouse cultivating family explains that side shoots and older foliage of the tomato plants are removed during the season. They also say that no insects are (deliberately) used as help with the pollination.

Climate problems

The cooperative has problems with stormy weather. One area of the common field is naturally protected from winds by a hill. The vegetable field has no special shelters, except for natural protection from houses in the village and fruit trees that can be observed during the interview. There is risk for frost in the outdoor field during February month, but no risk for frost in the vegetable field during the cultivation season. However, protection against frost is only dealt with in the greenhouse production and solved by coverage of the crops with straw from wheat. During 2008 the cooperative had substantial problems with hail, which destroyed parts of the crops. From June to August are the common fields exposed to drought, and therefore need supplementary irrigation.

Plant protection

Weeding is executed with hand work. One member says that there are no problems with pests and diseases in the common fields. In the vegetable field protection of plants from pests is performed with a special organic pesticide that is sprayed on the plants. In the greenhouse nettle water is additionally to its nutrient content used against lice outbreaks. A huge amount of full grown and in many cases flowering weed was observed in the greenhouse.

Postharvest

After harvest are the products collected by a purchasing company, sold in the village or stored to provide the animals with food. The members of the cooperative purchase the feeding crops to provide their animals with food. The harvest of maize, autumn wheat and lucerne is used as animal food, while the sunflower harvest is used both for animal and human consumption. The sunflower harvest is sold to a company that processes it into sunflower oil. The maize corns are dried and crushed into small pieces to become animal food at the farm. Besides this there is no processing of the products and the products are neither packaged nor marked with any labels before selling.

The greenhouse producing family says that they can get a yield of 15-20 kg/tomato plant during one season. The last harvest is carried out in August or September. The greenhouse crops are purchased by a company which collects them directly after harvest. The lettuce has been harvested at five different times and all of the plants are harvested at this date (March 2009). The price of tomatoes has declined because of competing with other farmers. Despite this fact the members mention that an advantage with greenhouse production is that the crops ripe earlier than in outdoor fields, which allows them to make a good profit at the beginning of the season. The outdoor produced vegetables are grown only for family usage. The family saves much money by not having to buy the products. Tomatoes are stored in jars, potatoes and onions in darkness in the room to allow them to dry, and the rest of the products are stored in a freezer

Livestock

The family attended the heifer project and at the time of our visit they had a four year old Simmental cow that was seven moths pregnant. The cow got pregnant by artificial insemination performed by a veterinarian at the cost of 15 Euros per dose, but the price was to be raised to 35 Euros. She got pregnant after the fourth insemination. The calf gets milk from the mother during the first two month of its life, and the calf suckles its mother for two months. The cow got milked twice a day and when her milk production peaked, she produced 15 litres of milk per day. The milk that she produced was not being sold, only the family consumed it as fluid milk and to make cheese out of it.
The cow shared stable with two sheep and she was bound and straw was used on the floor underneath her. According to her owner, there was no need for trimming her hoofs. The cow was fed with lucerne and crushed maize. In the summer months she got out in the yard but never in the fields. In addition to the cow and the sheep they had two sows and hens. The family states that they have no problem with diseases on the animals. Every animal has to have a "passport" like a birth certificate. The cow is vaccinated every year, against what is not clear.

Attitude towards organic farming

All the interviewed families are positive to organic farming. One member mentions that organically grown crops are more healthy than conventional, yet states that organic farming is much more working intensive.

Background and future plans

Two families have experience of agriculture since before the start of the project. One of these families declares that they want to continue with organic production and the other one thinks that they will still be farmers in the future.

One member has no aim to expand the cultivated area but would like to continue to grow products for her family. She states that the production of crops is necessary for her family's survival and wishes to have poultry. One family says that they will produce what the market wants them to grow, yet they state that they are still learning how to manage with it.

COOPERATIVE II (MILETICEVO)

The cooperative is producing soya beans, wheat, maize and lucerne in the common land on a total area of 5 ha. In the greenhouse the interviewed family grows capsicum, tomatoes, lettuce and onions during the wintertime. Vegetables grown outdoors are onions, carrots, potatoes and red beet. The family additionally has cherry trees.

Water supply

Irrigation in the greenhouse is performed with filtrated water from a well. A drip irrigation hose with small tubes at regular intervals hangs from the ceiling alongside one of the greenhouse's sides. Rainwater is only collected for ornamental plants. Irrigation of the outdoor fields is not performed. There is an adjacent canal that is dry, but the interviewed member cannot see that there would be any need for watering of the field.

Fertilizing

Watered manure is used as nutrient supply in the greenhouse. Wild nettles are picked and used for the making of nettle water with a high nutritional value. A purchased special organic nutrition solvent called Allium is also used in the greenhouse. Lucerne is only grown to provide the animals with food and not for the purpose of working as green fertilization.

Cultivation methods

Almost all the work is done by machinery. The soil in the greenhouse starts to be prepared by machinery during the first week of April, and at the same time the manure will be spread out. The harvest of the field is performed by machinery and the rest products from the harvest are ploughed down into the soil.

Climate problems

There is no protection against winds out in the fields. There are problems with frost, but protection is only used for the crops in the greenhouses, which are covered with straw. There are no problems with hail in the cooperative.

Plant protection

The entire weeding work is performed by hand. Problems with voles forced the family to put up a vibrating discourager to scare the voles away. The members state that they have no other problem with pests and diseases. A huge amount of weed is observed in the greenhouses.

Postharvest

Maize, soya beans and lucerne are used as animal feed, whilst wheat is used for human consumption. Most of the products are sold at the market in Vrsac (closest town), to other members of the cooperative or to a grocery store in the village. All products are sold fresh, and processing is just made with crops that the family is going to use. The harvest from the cherry trees is entirely used by the family.

Livestock

The family had a cow which was sold because of fertility problems, and at the time of our visit they had only a bull calf that was four months old. They will sell the bull when he weighs 400 kilos. The calf was feed maize and lucerne.

The cattle grazes in the summertime in the backyard, not out in the fields.

The cow milked 10 litres when they still had her. The milk was used only in the family, to drink and to make cheese and in the cooking. The lactation period lasted seven months. The calf was separated from the cow at the age of two months.

They use artificial insemination. The heifer was inseminated at the age of 15 months, or at the weight of 450 kilos. There was no need for trimming the cows' hooves. They stated that they had no problem with deceases on the cattle except the problem with the cows' fertility.

More cows? "We will see…"

Attitude towards organic farming

The members consider organic farming to be a good production method since it is healthier for them as farmers. However they state that the customers are very price sensitive and because of that there is no difference in price compared to conventional products when they sell their crops. On the other hand they mention that it may change in the future and that city inhabitants might be their target group.

Background and future plans

The family has just produced crops for their own livelihood before the start of this project, but now they are producing both for the market and for the family's usage. The interviewed farmer thinks that they will continue with this occupation in the future.

COOPERATIVE III (BASAID)

The family has together with the cooperative 4.5 ha of agricultural land. Crops in the outdoor cultivation are lucerne and maize, and besides these crops wheat will be sown during the autumn of 2009. Additionally the family has a greenhouse where they grow lettuce, tomatoes, onions and capsicum.

Water supply

There are no problems with drought or flooding and no irrigation is therefore performed in the fields since this is very expensive. Water supply to the greenhouse crops is carried out by drip irrigation and with filtrated water. The irrigation water is supplied from the communal water system.

Fertilizing

Manure is used as nutrient supply in the field and lucerne is additionally to this grown as green fertilization. The soil of the greenhouse is fertilized with nettle water and a special purchased nutrient solvent named Humisin. Two kinds of nettle water aimed for different purposes are used. One kind of nettle water is prepared up to three weeks before usage, and is used diluted as a nutrient solvent. Manure is also used as fertilizer in the greenhouse.

Cultivation methods

According to analyses the soil is of first class, but it is difficult to cultivate due to its content of clay. Cultivation of crops in the greenhouse is normally performed all year round. The cultivation time for lettuce is approximately one month and for tomatoes approximately two to three months. Onion is just an extra income on the side. The entire cultivation work in the greenhouse is performed by hand. The plants in the greenhouse are grown directly in the ground soil. Crops are cultivated in the greenhouse all year round. A seedbed is observed, covered with chicken wire where capsicum is sown. Only a few seedlings can so far be observed. The cooperative has gained a new tractor with an amount of different machinery tools. The rest of the cooperative members can attain help from the director with agricultural work that needs to be done by machine. The director also handles maintenance of the tractor and its tools. Rest products after harvest are ploughed down into the fields. Ploughing is performed in the beginning of November. The lucerne is harvested four times a year and each harvest gives 10 000 kg (3 ha). At the time of the visit (March 2009) 1.5 ha of the former lucerne field are prepared for sowing of maize by ploughing down the lucerne plants into the soil.

Climate problems

The climate is very windy but the fields have no shelters. A given example of how to protect sensitive crops (for example capsicum) is by growing higher crops on the sides which gives natural protection. Frost during season is not a problem since the grown crop lucerne is tolerant to it. There are no other huge problems caused by extreme weather conditions.

Plant protection

Weed control for maize is performed by machinery work in the rows and by hand work between the plants. Weeds in the greenhouse are picked by hand and are not considered to be a large problem. There are no mayor problems with diseases or pests in the greenhouse. Additionally the given nutrition helps the plants' resistance. Nettle water is in addition to the usage as fertilizer used against pests. This kind of nettle water is prepared one day before use and is applied concentrated against pests (e.g. lice).

Postharvest

The crops from the greenhouse are sold fresh directly after harvest. The crops are sold to private consumers at the farm. Parts of the harvest are also sold on the local market. Parts of the crops are supplying the family with food. Lettuce can be difficult to sell because many farmers are producing this crop. Capsicum and tomato are crops that can be sold easily. The farmer states that the consumers are aware of the healthiness of his products. Lucerne and maize are grown as animal food. As long as they have no own animals the crops that are grown for animal food will be sold. The family is not self-sufficient on the earnings from the greenhouse crops, but together with the outdoor crops the income is considered to be acceptable. A tomato plant produces 8 kilos of tomatoes during a season, and there is a total amount of 450 tomato plants in the greenhouse. The price is varying over the season with the highest price in the beginning.

Animals

The family had pigs in the past yet has at the moment no own animals. They are planning to invest in sheep if it is financially attainable. The family is at the moment getting manure from members of the cooperative or other neighbours.

Attitude towards organic farming

The member is very positive to organic production but mentions problems concerning neighbours with adjacent fields who are using conventional production methods. He seems worried about that this will affect his production negatively.

Background and future plans

The member has not been in the agriculture sector before this project started. It is difficult to make up long term plans since the agricultural land is common and there are many different wills among the members of the cooperative. Additionally, different contributions from different members of the cooperative are a problem since it makes the work load uneven. The member wants to grow vegetables outdoor as well since these will offer a better profit than the crops grown at the moment. He mentions beans and capsicum as examples of possible crops.

APPENDIX II: INTERVIEW WITH GORAN PIVNICKI, SGS

Interview with Goran Pivnicki, AGRI Senior Inspector at SGS Beograd Ltd
Made by Lina Engman & Johanna Persson, written down freely after a recording of the interview, 2009-03-31

What kind of company is SGS?

- We have over 50 000 employees in offices in 150 countries over the world. We make certifications, ISO, control of organic production, EUREPGAP, GLOBALGAP etc. It is probably the biggest certification body in Serbia, and the only one in Serbia that certify according to international regulations.
- There are two other certification bodies in Serbia but they are only accredited for the Serbian market, and if their clients want to export, the certification body needs to get a subcontract from a certification body in Europe or in that country that they want to export to. We don't need that because we have offices in Europe. That leads to lower costs for clients that want to export their goods to the EU market – they only need to have SGS as a certification body and they do not need two certification bodies (one for the Serbian and another for the EU market).
- It is more expensive to get a certificate in Serbia compared to for example Austria. That is because farmers in Serbia are less informed about regulations, and we sometimes need much more time to audit them because they do not prepare well for the audit. Additionally the main reason for high certification costs are the number of farmers involved in organic production. In Serbia we have just less than 50 registered farmers and in some west European countries this number is over several thousands. It is obvious that certification services will be cheaper as soon as the number of organic farmers increase.

Are there any differences between Serbian regulation and EU's regulation concerning organic production?

- It is very similar to EU's, and the government is constantly changing the rules, to make it the same as EU's. If a farmer wants to produce according to EU's regulations, he will automatically be producing according to Serbian regulations as well.
- For example, one difference is: If the farmer wants to use non organic seed (but none treated), he needs approval from the ministry of agriculture in Serbia, but according to EU's regulations he only needs a permit from SGS or from his certification body. Our ministry always allows it because there is no organic seed produced in Serbia.

Is there any reason not to get certified according to EU's regulations?

- Yes, the reason is price, if the farmer wants to sell his products only in Serbia he does not need to pay additional certification fee for the EU market. But, if they want to export to the EU, they have to be certified according to their regulation. It is not possible to be certified by Serbian regulations for two years and according to EU's regulations the third year. You have to be certified for EU's regulations all three years (during the conversion period) to be able to be certified according to EU regulations.
- There is no big difference between Serbian and EU regulation, but the process of total synchronisation is very slow, but they have to do it when (or if) Serbia joins EU.

Do you know how many certified organic producers there are in Serbia?

- There is an official list, maybe there are less than 40 farmers, but some of them are companies. We have one company with over 100 farmers with little gardens with berries and then there is one person that organises them.
- According to Europe Union information there are over 3 000 organic producers in Serbia. We have three accredited certification bodies, and some producers' only wants to export their products and then they don't need a Serbian certification, and then they are out of the statistical information. Those producers are certified by certification bodies that actually do not have permission to work in Serbia.
- SGS is the only company in Serbia that could certify according to Serbian, European, and other standards, and that is because SGS is a world wide leader in certification and is accredited to issue all of the mentioned certificates. Some of our offices in EU issue the certificate for the EU and our office in Belgrade can issue certificates for the Serbian market.

Do you know were to find the digits about organic production in Serbia, in order for us to compare conventional and organic production?

- I have some information that is in Serbian, but I can give you some facts. They have from 1 ha (fruit production) up to 18 ha of land. When it comes to the company that certified the 100 farmers, the individual farmers have less than 0.5 ha, but together they have a big area.

How does the conversion process work?

- Conversion according to the Serbian organic law is the same as conversion according to the EU regulation. For annual crops it lasts two years and for perennial crops (fruits) it lasts three years. During the first year of conversion no certificate can be issued and after it a certificate for "In conversion to organic" products can be issued until the end of the conversion time. During the conversion time all aspects of organic regulations have to be obeyed.

Do you certify anything called "Integrated Production"?

- No, we had no such inquires in Serbia, but there are some other certifications we can offer, for an example the GLOBALGAP certification.

Do you certify farms with animals as well as farms that only grow crops?

- Yes, but only two have applied and they are still in the conversion process. They are producing on the grasslands and they have big cattle for meat production. They mainly produce breeding material for other farmers.

If you use manure in the greenhouses or on the field, doesn't it have to be certified?

- Yes it has to be organic certified but both Serbian and European regulation allows you to use uncertified manure if it isn't possible to get hold of certified manure. It has to be manure from extensive production – manure from big farms is forbidden. If you get it from your neighbour we have to visit the neighbour and inspect the conditions where the animals are.

When you take the soil sample you only check for forbidden pesticides, you don't check for other pollutions?

- We check the soil for heavy metals, sometimes for pesticides but it is not that usual, and the farmers have to check for nutrients in order to decide how much they need to add. Not every year, but from time to time. We also make an analysis of the surroundings if there is an industry nearby. There are no problems with heavy metals if there is no industry nearby.

Do you have any more information about the specific project that we are investigating?

- There were four villages and three small cooperatives, and all of them applied to us for certification and two of them signed their contracts. My opinion is that one of the cooperatives was not interested in organic production. They were just satisfied because they had got their houses, land and some money. The other one maybe has a chance to become certified according to my opinion. Officially they were controlled and they are in our process. They have been registered on the website of the Serbian ministry of agriculture were we register all producers for the ministry of agriculture. I don't think that they will continue the registering process. They were interested in the beginning, but not any longer.

Is it too hard for them to get the certificate?

- No it is not too hard, but they have to comply with the regulations, and make up a plan what to do if this insect attacks and they have to choose the verities right.

We have been out in the cooperatives, and they haven't got much production at the moment besides greenhouse production. We are confused about the fact that they claim to have no problems at all with pests and diseases?

- In one cooperative they used forbidden materials for sure, and I realised it because I saw it myself, and other people maybe just put it away. But it seems to me that they didn't produce organically.
- Regarding the cooperative that was caught with the forbidden material; the one person in the cooperative that did it was excluded from the certification process. If he wants a certificate he has to start from the beginning again, and then we will take some soil samples, but I don't think that he will apply again.
- I think it is a good project because they have land and they produce something conventional, but maybe there is no market for organic products in Serbia. They realize that if they produce 50 % of the yield and they have to sell it for the same price as conventional, that there it is no good situation at the market for organic products. Organic production is not that well known in Serbia. To produce organic vegetables and to get good yield farmers need much knowledge.

Is it also a problem because they have small amounts to put out on the market, and the cooperatives are so small? Maybe it is easier if you have a big company and side projects that could support you during the transition process?

- Yes, but for organic production it is easier to manage small parcels, so it is the only way they can support themselves from these parcels. Today they have to have work on the side, but they produce something.

Maybe they need more education on organic production in order to change their attitudes against organic production?

- They need information about the market, where to sell and how to take out a higher price for their products.

Maybe it is better for the cooperatives if they can go together with other farmers and make bigger cooperatives?

- I don't know, but the first steps for them are to have a plan for how and were they are going to sell their products. For example there is only one farmer on the marketplace in Novi Sad that always sells all of his products, not always for a higher price, but he always sells everything that he got. He has 18 ha of land, and the company consists of three families.

One of the cooperatives that we visited had conventional farmers all around their land, and they were concerned about the wind blowing in from the neighbour's fields, carrying the forbidden material with them.

- They have to have a few meters in between the organic and conventional land, or a signed contract with the neighbours that they won't use any forbidden material close to the organic land. The most important thing is that farmers have to realise: It is not an aim to pass the audit but to really produce organic products. If we find forbidden materials in the final products we will not go for the further investigation and to look for the reasons – the organic status of the farm will be suspended.

According to the organization that is the head of the project (ODRAZ) that IM is cooperating with said that the cooperatives probably will be certified this year (2009), is that true?

- It is possible. All farmers except one that is excluded because of using forbidden materials are in the process and they can apply for certification. Anyway, they must demonstrate that their production is in compliance with organic regulation. We will check it with some analyses, and if everything is OK they would be able to get a certification for organic products.

If they choose another certification body, wouldn't that organization check with you about what you have to say?

- They will get access to my report, and it is official material. It says that only one person used forbidden pesticides, and they can certify all others. Honestly, I believe any certification body would check the status of products with some analyses for pesticides residues.

Maybe it is more interesting for them to produce conventional?

- Yes, they realized that there are no buyers for organic products. But the project is successful in terms of getting houses and being farmers…

Is organic production the only alternative for a small farm?

- No, they could earn money as conventional producers, and then they have a market in their own villages were people are poor and aren't able to pay for organic products. Additionally, they can make contracts with some processors so they will be able to sell all of their products, and processors sometimes invest some money in certification of their producers – depending on what certificates they need.

Perhaps they have no possibility to compete if they were to produce conventional?

- They are producing something but it is not organic at the moment. My personal opinion is they are not interested enough to be organic producers right now.

Could the GLOBALGAP be an alternative for the farmers in the project?

- Maybe because then they can be certified one year but not the next and they can choose every year. To avoid a situation where we inspect them and they are not ready, they should get a serious consultant. In that way they won't waste their money.

Do you think that there is a market for organic products in Serbia?

- There is hardly any market at the moment, only 2 % of the population is prepared to pay a higher price and there are only a few farmers that are certified organic producers, on the other hand, 2% it is still a huge amount of people to supply. I don't think it is as low as 2%, it could be 10 % that would pay more; at least I would pay more for it.

Have you seen any changes in the attitude towards organic products?

- Yes, this year (2009) it will be big changes, because the government decided to give some money for marketing organic products. They will give money to organic producers, the highest amount in Europe; 30 000 DIN (over 300 Euros) per ha for vegetables and 20 000 DIN (over 200 Euros) per ha for other crops, and they will pay half of our costs for certifying the producers. It is not official yet, but it will be.

Is there any big purchaser of organic products in Serbia?

- No, not at the moment, but it could be in the future. I think that if there is a separate place in the shops and on the marketplace for organic products it should be easier to market the organic products, and it is regulated by law that it has to be separated.

Do you know how high the yields are in organic production?

- Maybe if they do everything right they could produce the same yields as conventional farmers, maybe it's less than 20% compared with the conventional, sometimes they don't get any harvest at all. It depends on the year. They need to use crop rotation and a good variety of plants in order to get high yields.

What do you think about renting agricultural land when you produce organically?

- It only works if you can rent if for at least two years in order to prepare the land and rent for a long period.

Have you experienced that it is hard to get access to agricultural land among your clients?

- No they have their own land or they rent it from the state for a long time. The government lends out the grassland in the south at a reduced cost, because it is no good as agricultural land, only for grazing.

Is it easy to get hold of organic seeds?

- No there are no organic seeds so they can use untreated conventional seeds, or their own seeds.

Is there any problem with pollution in Serbia?

- There is some pollution of the water, because many factories let their waste water out in the canals, but there is no pollution in the ground. So, there is a problem with pollution but it can be predicted and organic fields can be free of it by choosing proper locations.

APPENDIX III: INTERVIEW WITH VLADE ZARIC

Belgrade 2009-04-02

Interview with Vlade Zaric professor at the institute of agricultural economics at the faculty of agriculture at the University of Belgrade.
(Made by Lina Engman and Johanna Persson, written down freely after a recording of the interview).

"My main topics are marketing and trade at the faculty of agriculture at the University of Belgrade, and I am not directly involved in organic production, only in the selling and marketing of organic products".

We think that people are interested in organic products but that it's hard for the producers to take out a higher price.

- The main problem is that people isn't prepared to pay a higher price for the organic products. Some of problems with the organic market in Serbia have got to do with marketing channels and the structure of the markets that has changed.
- The greenmarkets have always been important for farmers, but since the supermarkets were introduced in 2001 the importance of the greenmarkets has declined as well as the whole sale markets. This has affected the small farmers who aren't interesting for the supermarkets purchasers, because of the small quantities that they produce. Unless they get together and cooperate with other farmers. The main issue for them is to find a market.
- In some parts of the country the small farmers has started organic cooperatives in order to support themselves. Not as an act of ideology, but as a way to survive. They can't afford fertilizers and pesticides.
- Most of the small farmers and especially the organic ones only sell fresh products; they don't store or process them in any way. Also they have very limited means for transportation and that all together makes the marketing chain very short, and that means that they have a very limited outlet possibility. Then you have no added value in your product and you can't take out a higher price.

Do you think that the consumers in Serbia are conservative when it comes to for instance eating tomatoes outside the picking season?

- I often heard of this, but I can't say that there is any scientific proof for that hypothesis. If you go to the supermarket you can buy tomatoes all year around. I think it also depends on the age of the consumer.

Does Serbia export a lot of agricultural products?

- Agricultural products, both processed and not processed, are one of the few products, that we export more than we import. It has only been like that for three or four years. This is because of structural changes and a lot of private initiatives in the agricultural sector and in the processing industry.
- The main trading partners are now the countries in the former Yugoslavia, and European Union in particular Italy and Germany.
- The main export products are traditional products like conventionally grown maize, wheat and raspberries.

- In the organic sector it is common that foreign purchases come to Serbia and want to organize the cultivation of the organic products, especially Austrian companies.
- They don't buy the company or the cooperatives, but they ask them if they could produce this quantities and quality of this or that crop following by their rules and regulations. I think it is a good thing because they bring new technology and a whole way of thinking in the organic production. They have good system with announced and unannounced controls.
- I have not heard of a Serbian company that has began from zero and started exporting their organic products, it is always the other way around.
- The main problem with organic production and products with geographical origin (GO) that is exported to EU is that the legislation in Serbia is not totally in accordance with the EU's. The second problem that we face is that the system of inspection, like "who is involved in the control?" EU thinks that Serbia does not have an efficient inspection control system for products of GO. So it could happen that some products are labelled as GO products but in reality they are produced in other regions of the country.
- Sometimes you have a situation especially with traditional products, that the agricultural inspection is not always involved in the control. The organized by some other institution. This is because the institution responsible for registration GO products in Serbia is Institute for Property Rights and does not have capacity to manage the whole process regarding GO products. Currently there is a new draft law regarding GO products and the main idea is that Ministry of Agriculture, Forestry and Water have to take more responsibility for GO products. In a new situation agricultural inspection would be responsible for GO products.

From your point of view, does Serbia have any unique products?

- We have just finished a big survey that we are now evaluating, were we have asked some 800 people about how many products that they think is originally from Serbia. We found almost one specific product in every village that was different from the last in the inhabitants' opinion. We asked the people to describe what is different with their product and the product from the next village. Every one answered that their product was unique! If you taste the products you will find that it is an excellent product.
- For example; we have a diary product that is something in between cheese and cream, called *Kajmak.*
- The second product is sheep or goat cheese and different types of cheese like *Gouda*.
- The third product is dried smoked ham *Prusuta*, and that is produced mainly in the central parts of Serbia.

- We also have different kinds of sausages and a type of dried sheep meat and all kinds of vegetables and fruit that differs depending on were it is produced due to the soil and climate conditions.

Do the products differ a lot in taste in your opinion?

- It depends on the region; it doesn't differ from village to village. The problems with these products are that they are not standardised, and we have no standardised description of how to make them. Every farmer produces it in there own way. It is high quality products, but the problem is that they are not standardised.

Do you think that the government in Serbia is providing a god business climate for the farmers?

- If depends on what kind of references you have. If you go back ten years, you can say that their support is excellent nowadays. There are different initiatives to support the agriculture.
- The ministry is trying to support the agriculture, but the basic problem is the high number of farmers and a limited budget. It is only a small number of the registered farmers who benefits from the different programs. Because of the fact that the ministry of agriculture is changing the supporting structure from year to year. Without previous analysis and public discussions, the farmers and the processing industry can't anticipate the future. To sum it all up, yes the government is supportive, but their budget is too limited.

Will the small farms still exist in the future?
- From an economical point of view the small farms have no future, but from an emotional point of view people will still live in the countryside, but they won't be able to support themselves from what the farm produces. It is like in any other country in Europe. As a proof for that development you only need to look at the demographic structure in the countryside. The population is decreasing and the average age is rising. Young people don't want to stay and work as farmers, entrepreneurs change fields of work and so on.
- The big companies have a future, but right now there is not a situation that supports structural changes in Serbia. The big farms are too big. The family farms with 10 to 100 ha of agricultural land have no chance to compete with the big players with thousands of ha of land, not now and not in the future.

Is the price of the agricultural land going up or down?
- 85 to 90% of the agricultural land in Serbia is privet. The price of the land depends on the quality, position, size of the parcel and where in the country the land is. Rental price and the price for buying land follow each other. In some parts of the country the difference between rental price and buying price is smaller, and therefore the agriculture probably has a future there. In other parts of the country the situation is the opposite.
- If the price of the land is going up or down depends not only on how big the expected profit is but also on speculation. If and when Serbia joins EU people think that they also are getting a part of EU's support system for the agriculture. They don't want to listen when EU says that the matter of supporting the agriculture is every country's own problem in the future. In translation; there will be no money for the new members of the European Union.
- The price of agricultural land will in the future depend on how much profit the land could give including state subsidy. Agricultural land close to the big cities will be transformed in to construction land. I do not expect any significant changes of the price; the prices will only go up in limited areas.

Is it hard to get hold of agricultural land?
- When it comes to buying land for extensive production for instance cattle breeding the grasslands in the southern parts of Serbia it is not hard, but the problem is that it is often very fragmented.

Can I as a foreigner buy or rent agricultural land in Serbia?

- Our constitution forbids that, but you can buy a company that owns land. You can easily register a company for a small amount of money.

Is that going to change in the future?

- No, not so far but the main intention is that there is going to be some limitation in the possibility for foreigners to get hold of the land. Agricultural land is very important traditionally for Serbia as a security of the country. It is against the fought of a free market, but I think that we should keep a conservative standing point in that question.
- Plus the fact that the agricultural land in Serbia is not that interesting from the foreign company's, neither buying or renting it because it is so fragmented.
- All the big estates are privatised and the owners of the estates wants' to use the land themselves, not lending to someone else.

Do you consider the agricultural sector in Serbian to be a free market?

- Serbia is not a member of the WTO, but Serbia has several agreements with the EU, and the main goal is to liberalise the trade. At this point Serbia is more and more an open market, and the change is rather rapid than slow. It causes a lot of problems for us, because when the import from the EU and USA are rising, our farmers have difficulties with competing with them, for example on the diary market.

Does Serbia export any diary products?

- Serbia export processed diary products especially to Montenegro and Bosnia Herzegovina because they are the closest markets. I don't have the newest data but I don't think that there is any export to the EU.

Do you think that it will be easier for "our" cooperatives to sell their organic products on the national or the export market if they process them first?

- If you want to sell to the big supermarkets or export your products you have to fulfil three basic things; Quality, quantity, and continuity. If you produce a small quantity, you need to find a business partner, form a cooperative for instance. Then you have the problem with trusting each over…

Are the farmers organized in any way?

- There are some old cooperatives but they almost only exist on paper. They were almost like political parties but the farmers didn't have a right to vote. There are some new cooperatives and their members are not likely to be members in the old cooperative union because they don't want to pay and get nothing in return. To be honest we see changes in these fields, new ways of thinking, and we see better and better organizations that are going to change the structure one day.

Is Serbia a fully developed market economy?

- Yes Serbia has a clear market orientation. Serbia has always had some kind of market economy, but when the democratic system changed we became more and more market orientated. We still support the agriculture most, simply because there is no money left for the other sectors.

Does the economy work?

- It is working, but the last one or two years due to the world financial crisis the growth of the economy has slowed down and will be below zero this year(2009) and the next.

Have Serbia been affected a lot by the financial crisis?

- In the beginning they told us that we wouldn't be affected at all because of the fact that Serbia is such a special country according to the ruling political party, but according to serious economists we have not yet seen the full effect of the crisis, it will appear in the next one or two years. That is because our economy hasn't been opened in the past and we have been somewhat protected, but it will be very hard for us if our economy can't adjust to the new circumstances.

Do the politicians listen to the farmers?

- The politician doesn't do anything that could jeopardize their chances to get votes in the next election, or maybe if there are some protests.

How do people finance their businesses?

- It was common to ask your friends and family for a loan some 10 or 20 years ago, but nowadays it's more common that you get a loan from the bank. One reason is because people don't keep their savings at home. The second reason is that we were in a much better economical situation in the past, now many people do not have savings at all.
- The banks in Serbia have a higher interest rate than countries in the EU, for example if you as a farmer want to invest in a new tractor you will pay real interest rates which are connected to the Euro. That means an interest rate that is at least 10%.
- With governmental subsidy, the farmer only has to pay half of the market interest rate. Still, compared with Europe this is a high rate.
- If something is rare on the market the prices go up, and we don't have enough capital in Serbia.

Do you feel optimistic about the future for the agriculture in Serbia, how it will develop when or if Serbia joins the EU?

- If the structure in the agriculture changes, Serbia has a future in Europe. The gap between the very small farms and the very big ones has to go away. We have got a good soil and climate, equipment is no problem and we have the knowledge.
- I think that the professional people are aware of the problem, but the politicians only have the next election in their mind, and that means very short term decisions.

Do you know why the official statistics of the organic production aren't correct according to some of the professors?

- Our official statistic was and is very organized and they collect the data from the whole country and some areas and sometimes when they have a field that got a yield that is extreme in any way, they just take an average yield.

Does organic production have a future in Serbia according your opinion?

- Organic production sounds very modern, but I think that the small extensive farm products are healthy, they do not use a lot of pesticides and the quality and taste are excellent. We should try to keep that kind of production, it has hopefully a future. In short, many small family farms produce organically, but they do not declare it as an organic production.

APPENDIX IV: THE BUSINESS CLIMATE ENQUIRY

Gender: Male □ Female □

Age:

Education level;

- Compulsory school (age 7-15) □
- Upper secondary school (age 15-18) □
- Post-secondary school (age 19-) □
- University/College of higher learning □

Response options;

A. Very much
B. Much
C. Medium (yes, there is)
D. Little
E. Nonexistent (no, there is none)
F. I have no opinion/I don't know

Is there/ Are there…

…sales opportunities for products on the…

1) Local market
2) Global market

…Incentives/stimulus from;

3) Banks
4) Companies
5) Politicians (e.g. taxes, laws)
6) Special interest organizations
7) Community
8) EU

… Inspiration and new impressions from:

9) Trade fair, exhibitions and conferences
10) Meetings and study visits
11) Special interest organisations
12) **Possibility to borrow capital?**
13) **Bureaucracy?**
14) **Corruption?**

	A	B	C	D	E	F
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						

Confidence/trust in?

15) Police and judicial system

16) Public administration

17) Local gouvernment

18) Neigbours and associations

19) Salesperson (selling)

20) Purchaser (buying)

21) Banks

22) The EU

23) Aid organizations (e.g. Red Cross, Sida)

Insurances (protection against injuries and loss of property):

24) Animals

25) People

26) Buildings

27) Crops (e.g. fruits, vegetables)

28) Unemployment or bankruptsy

29) Retirement

Access to further education in agriculture/horticulture:

30) Education within the cooperative

31) University/college of higher learning

32) Study circle/adult education class, post-secondary school or similar education forms

Retailer of inputs;

33) Seed for sowing

	A	B	C	D	E	F
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30						
31						
32						
33						

34) Fertilizers (nourishment for plants)

35) Breeding material

36) Engineering

37) Machines (spare parts, service)

Entrepreneurs;

38) Machine station

39) Repair shops

40) Craftsmen

Environmental demands from;

41) Authorities

42) Environmental organisations

43) Aid organisations

A program for infectious disease control?

44) National

45) International

Veterinary surgeon;

46) Availability

47) With good level of knowledge

48) For a reasonable prize

49) Railway

	A	B	C	D	E	F
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Infrastructure;

50) Waterways (e.g. rivers, lakes, seas)

51) Motorway

52) Other roads (gravel roads not included)

Energy;

53) Fossil (oil, coal, natural gas)

54) Non-fossil (sun, water, wind, ethanol, biogas)

55) Non-renewable sources of energy (nuclear power, coal, oil, natural gas)

Healthcare;

56) Acute (fire brigade, ambulance)

57) Preventative medical care

58) Preventative work against workplace accidents

Means of communication;

59) Internet

60) Telephone

61) Newspapers or other papers

62) TV

63) Radio

Independent and free information through;

64) Counselling

65) Experimental work

66) **Access to agricultural land ?**

67) **Fertilizers for plants?**

68) **Water of good quality?**

69) **Qualified labour/manpower?**

	A	B	C	D	E	F
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69						

Are people prevented from getting jobs because of their/that...

70) Language

71) Origin (place/country of birth)

72) Religion

73) Gender (male or female)

74) Child care is not available

75) **Should Serbia join EU?**

Yes ☐

No ☐

Don't know ☐

	A	B	C	D	E	F
70						
71						
72						
73						
74						
75						

Thank You sincerely for your help,
And good luck with your farm in the future!

Best regards Lina & Johanna