

BOOK REVIEW

Gordana Đ. Radović

FINANCING AGRICULTURE IN THE REPUBLIC OF SERBIA

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(Monograph) 2014

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FINANSIRANJE POLJOPRIVREDE U REPUBLICI SRBIJI

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The monograph under the title „Financing Agriculture in the Republic of Serbia“ by Gordana Đ. Radović, represents a significant contribution to the local scientific and technical literature, which investigates the complex problem of financing the agriculture. The monograph is the result of further and advanced research initially conducted within the Master’s thesis: Modalities of financing agriculture in the transition period, which the author defended in 2009 at the University of Novi Sad Faculty of Economics, under the mentorship of Prof. Dr. Nenad Vunjak. The monograph gives an overview of the former, the current and the proposed potential method of financing the agriculture in the Republic of Serbia, which is based both on the European experience and the local specificities. The author points out that the issue of funding is the biggest, the most complex and ongoing problem of agriculture in the Republic of Serbia. The essence of this problem is the disproportion between the financial investment in agricultural development and its contribution to the gross domestic product for the entire (pre) transition period. By the term „agriculture“ the author implies the multifunctional agriculture, which in addition to primary agricultural production, includes all the accompanying activities. Solving the problem of financing the multifunctional agriculture would create opportunities for development, increase employment and stop the migration from rural to urban areas.

The first chapter of the monograph gives an overview of the biological and socio-economic specificities of agriculture, as well as its importance and the details of its financing in the Republic of Serbia. Based on the analysis, the author concludes that the primary agricultural production, i.e. agriculture in its essence, still makes the key activity of the local agricultural producers, while the micro-agribusiness sector along with the multifunctional agriculture remain underdeveloped. The author emphasizes that the economic position of agriculture, analyzed through the primary market distribution in the entire pre-transition period, was rather poor because of the depressed prices policy of the agricultural products, inconsistent agricultural policy, political reasons, hyperinflation, all of which had an effect on the complexity of the overall issue of financing the agriculture.

The second chapter deals with the experience from abroad which, as seen by the author, can be applied in the potential concept of financing the agriculture in the Republic of Serbia. These are the models of financing agriculture in the United States of America and in the European Union. The system of financing the agriculture in the USA is mainly based on agricultural loans, approved under favorable conditions by specialized financial institutions whose management is predominantly consisted of farmers. The model of financing the agriculture in the EU Member States is mainly based on incentive grants (subsidies).

Support of the state in financing the agriculture in the Republic of Serbia in the pre-transition and transition period is presented in the third chapter of the monograph. The analysis covers the financing from the primary issuing of the Central (National) Bank, from the state (agrarian) budget and the budget of the Autonomous Province of Vojvodina. This chapter also presents the normative framework for financing the agriculture from the agricultural budget. The current models of financing agriculture in the Republic of Serbia are presented in the fourth chapter. In addition to the commercial bank loans, they include the specific loan support of the Ministry of Agriculture. The author notes that investments in agriculture did not have a significant participation in the credit portfolios of the commercial banks in the early transition period, while their growing interest is noticed in the last decade. This is the result of the arrival of foreign banks to our banking market, whose business is significantly influenced by agricultural loans. The importance of the specialized state financial institutions is presented in the fifth chapter, while the sixth chapter deals with the role and importance of leasing in financing of the agriculture in the Republic of Serbia.

Feasible models of financing agriculture in the Republic of Serbia are presented in the last chapter and include: securities, derivative securities, EU pre-accession funds, as well as the specialized agricultural bank, whose foundation is strongly supported by the author. The author emphasizes the necessity of creating a normative framework, development of the financial markets, and a continual development and education of agricultural entities for the effective use of securities in financing of agriculture.

A specialized agricultural bank should incorporate all the existing methods of financing agriculture from the state budget. By analyzing the origin of the banking sector on a global scale, the author concludes that many of today's successful universal banks were founded as specialized agricultural banks. An example of a domestic specialized financial institution for financing agriculture is the Privileged Agrarian Bank, established in the Kingdom of Yugoslavia in 1929. The foundation and operating of a specialized agricultural bank need to be regulated by a special law. The initial capital of such a specialized financial institution could also be ensured through the means collected by leasing of state-owned agricultural land. These funds are potentially significant and yet untapped sources of agricultural funding. The authors states that it is only natural that the funds collected from exploiting the most important, state owned, agricultural production resources, „return“ as a source of funding for agriculture, which is undoubtedly an economic activity of national interest.

The author concludes that financing the agriculture in the Republic of Serbia, on its current (under)developed level, should be implemented with the strategic and financial support from the state. The conclusion is based on the importance of agriculture for the national economy and employment rate, availability of the production resources, but also on the fact that agriculture is financially supported in the developed economies. With this goal, the author proposes the establishment of a specialized agricultural bank, whose placements would, according to the concept proposed, facilitate implementation and pre-financing of the projects from the EU pre-accession funds. Introduction of the securities and financial derivatives into the agriculture financing system of the Republic of Serbia would provide better loan conditions, more equitable risk sharing agricultural production, stability of prices of the agricultural and food products, as well as profitability and accumulation of this important economic activity.

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