

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date: 12/22/2015

GAIN Report Number: RB1508

Serbia

Exporter Guide

Road Map to the Serbian Market

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Report Highlights:

In 2014, Serbia's agro-food exports reached a value of USD 3.3 billion, a 5 percent increase from 2013. Agriculture is the most important export sector, accounting for almost 21 percent of all Serbian exports and enjoying a trade surplus of USD 1.3 billion, approximately 11 percent higher than in 2013. The European Union (EU), Central European Free Trade Agreement (CEFTA) and Customs Union (Russia, Kazakhstan and Belarus) countries are the most important trading partners for Serbia. The global economic crisis has depressed Serbia's high value food imports as national incomes have not kept up with the increased cost of living. The challenges faced by U.S. exporters include high import tariffs for products from non-EU and non-CEFTA countries, low incomes which affect consumer buying power, standards which sometimes diverge from international norms, infrastructure issues and the presence of

monopolies in the production and retail chains.

Post:

Belgrade

Author Defined:**I. Market Overview****Economic situation**

Serbia is located at the crossroads of Europe, the Middle East, and Africa. Serbia and its neighbors Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Kosovo, Macedonia, Moldova, Montenegro, Romania, and Slovenia represent a market the size of Texas, with 60 million inhabitants and a GDP of USD 523 billion for the whole region. Following the war, economic crises, and related social and political difficulties of the 1990s, Serbia remains a country in transition. In recent years, the government has made important progress on the political front, culminating in the official opening of accession negotiations with the European Union (EU) in January 2014. Public debt has risen rapidly to uncomfortably high levels, and despite some fiscal consolidation efforts in recent years, it reached over 70 percent of GDP in 2014.

The unemployment rate in Serbia was approximately 18 percent in 2014 and is projected to reach 19.2 percent in 2015, with youth unemployment above 50 percent. This is one of the highest unemployment rates in Europe. Thus the government is trying to stimulate job creation and to tighten its finances. In early 2012, the IMF froze its program with Serbia, because the 2012 budget approved by Parliament deviated from the program parameters. Since November 2014, Serbia has had a new pre-cautionary agreement with the IMF and proposed access could total approximately EUR 1 billion (USD 1.25 billion). The program is based on three main pillars: restoring public finances' health; increasing the stability and resilience of the financial sector; and implementing comprehensive structural reforms, to form a solid foundation for job creation and return to sustained high growth.

The National Bank of Serbia's (NBS) forecast for 2015 year-on-year inflation below the 4% target rate, due to low aggregate demand. The Serbian Government is planning to increase fuel excise taxes to allow for modest pension and targeted wage increases in 2016. The IMF projects Serbia's current account deficit to shrink from 4 percent of GDP in 2015 to 3.8 percent in 2016.

According to World Bank's projections Serbia has improved in all of the main economic indicators, but will have the lowest GDP growth (0.5 percent) of the six Southeast European (SEE) economies in 2015. Serbia's GDP is expanding, though growth could be even higher were it not for this year's drought, which caused agricultural output in 2015 to decline 10 percent.

Structure of the economy

The structure of Serbian economy is quite stable. Most of the economic activity is concentrated in services (approximately 66 percent of GDP), industry (22 percent) and agriculture (12 percent). Agriculture has been a key component of Serbia's economic structure, accounting for employment of one-third of the total labor force in Serbia. Serbia's industrial sectors contribute approximately a quarter of the nation's GDP. Serbia's primary industries include the processing of base metals, furniture, food

processing, machinery, chemicals, mining, sugar, tires, textiles, energy, and pharmaceuticals.

The Central Bank of Serbia reported net foreign direct investment (FDI) reached nearly USD 1.7 billion in 2014 compared to USD 999 million in 2013. For January – June 2015, FDI has already reached USD 839 million. The biggest investments were led by the processing industry, financial services, and the wholesale and retail sector. Serbia is intensifying its investment-oriented contacts with the Customs Union (Russia, Kazakhstan and Belarus), Turkey and China. Much of the focus has been on the transportation, energy and agriculture sector, which would contribute to Serbia's long-term economic development. Serbia has a very close relationship with the United Arab Emirates covering investment projects ranging from the national airline, agriculture, weapons manufacturing, high-tech electronics production, construction, and tourism, etc.

Agriculture remains the engine for development of rural areas. Agriculture is the only sector in the Serbian economy with a positive foreign trade balance. Approximately 60% of Serbia's agricultural land is used for cereal crop production including corn, wheat, barley, sunflower, soya, and sugar beet. Much of Serbia's agricultural land is in the northern part of the country. Vojvodina accounts for 84% of Serbia's total 4.2 million hectares of arable land. As per current statistical data, approximately 26% of Serbia's labor force is actively employed in agriculture. There are approximately 630,000 agriculture households of which approximately 99.6% are family households and only 0.4% are legal entities. The average family holding is 4.5 hectares. Approximately 90% of Serbia's arable land is privately owned and 10% belongs to the government.

Business Environment

Over the past several years, the Serbian economy has experienced stagnation due to limited foreign investment and slow improvement in its business environment. Major steps planned to improve the business climate and reduce the state's footprint in the economy are effort to bolster investments, economic diversification, and sustainable private sector growth to create jobs. Serbia has set an ambitious plan regarding its top priorities - EU accession, fiscal consolidation, finalization of the privatization process, improvements of the Labor Law and pension system and reforms in the functioning of public enterprises. The European Council granted the status of candidate country to Serbia in March 2012 and decided to open accession negotiations in June 2013. The Stabilization and Association Agreement (SAA) between Serbia and the EU entered into force in September 2013. Accession negotiations were formally launched in January 2014. Serbia has continued to build a satisfactory track record in implementing its DAA obligations as noted in the EC's October 2014 report. Since January 2014, Serbia has participated in a number of explanatory screening and bilateral meetings on EU Acquis chapters, Chapters 11 (Agriculture and rural development), 12 (Food safety, veterinary and phytosanitary policy) and 13 (Fisheries) with EU counterparts in Brussels, Belgium. In order to open Chapter 11, EC placed two benchmarks for Serbia. First is to establish effective structures of the Payment Agency, to manage IPARD funds and second one is to prepare the Action Plan for Chapter 11, and EC benchmarks for opening of Chapter 12. The Serbian Ministry of Agriculture is hopeful that the opening of the EU negotiations on Chapter 11 will begin by mid-2016. Serbian Government is still waiting to receive from EC benchmarks for opening of the Chapters 12 and 13.

Foreign trade

Serbia has free trade agreements with the European Union, Turkey, the Customs Union (Russia, Kazakhstan, and Belarus). It is also a signatory to the Central European Free Trade Agreement

(CEFTA). According to Serbia's Customs Office, Serbia's trade deficit remained stable at USD 5.5 billion in 2014. Serbia exported goods valued at USD 15.5 billion and imported goods valued at USD 21 billion (slightly less than 1.5 percent below the previous year's level due to weak domestic demand).

The EU remained Serbia's most important trade partner, accounting for over half of foreign trade, followed by CEFTA countries. The largest share of exports went to Italy (USD 2.57 billion), followed by Germany (USD 1.80 billion), Bosnia and Herzegovina (USD 1.34 billion), Russia (USD 1.03 billion), Romania (USD 853 million) and Montenegro (USD 765 million). Total Serbian exports to the United States were valued at USD 313 million (15th position).

Since August 2014, when Russia imposed a ban on the import of many EU and U.S. agricultural products, Serbian has enjoyed a healthy increase in its exports to that market. Serbian agri-food companies export fruits, vegetables, meat and meat products, dairy products, corn and vegetable seeds to the Customs Union (Russia, Kazakhstan, and Belarus). In 2014, total bilateral trade between Serbia and the Customs Union was USD 3.4 billion, approximately 12.3 percent higher than in 2013. The largest increase in exports to Customs Union countries was registered in agri-food commodities. Total Serbian agri-food exports in 2014 to all destinations were valued at USD 307.6 million - an increase of over 66 percent compared to 2013.

Serbia's agri-food exports reached a value of USD 3.3 billion in 2014 - an 8 percent increase over 2013 levels. Agriculture is the most important export sector, accounting for almost 22 percent of all Serbian exports and enjoying a trade surplus of USD 1.3 billion in 2014 (5 percent higher than in 2013). The European Union remains the most important trading partner for Serbia. Exports to EU countries accounted for 58 percent of Serbia's total agricultural exports, whereas imports from the EU represented 45 percent of Serbia's total agricultural imports. Since 2001, Serbia's agricultural exports have enjoyed preferential EU and CEFTA access. Serbia's agricultural exports consist mainly of grains, sugar, fruits and vegetables (fresh and frozen), confectionary products and beverages. In terms of export value, the following are the most important: grain and grain products (USD 716 million); frozen, fresh and processed fruits (USD 685 million); refined sugar (USD 197 million); edible sunflower and soya oils (USD 195 million); wheat flour products (USD 118 million); and, frozen, fresh and processed vegetables (USD 104 million). The Serbian products with the best production and export potential are grains, oilseeds, sugar, fruits, vegetables, non-alcoholic beverages, water, dairy products and products from the confectionary industry.

In terms of suppliers to the Serbian market, the largest share of imports in 2014 came from Germany (USD 2.66 billion), followed by Russia (USD 2.38 billion), Italy (USD 2.32 billion), China (USD 1.75 billion), Hungary (USD 1.02 billion) and Poland (USD 939 million). Total Serbian imports from the United States were only USD 279 million (20th position). Total agri-food imports into Serbia were valued at USD 2.0 billion in 2014, approximately 11 percent higher than in 2013. In 2014, agri-food imports represented approximately 9.5 percent of Serbia's total imports. Agricultural imports are mostly high-value food items, with European and regionally produced products dominating the import market. It is expected that agricultural imports will continue to grow in the future due to increasing demand for high quality consumer-oriented products that enter mostly from EU and CEFTA countries duty-free. In 2014, Serbia registered an agri-food trade surplus of USD 1.3 billion, or 5 percent higher than in 2013. Effective January 1, 2014, per Serbia's Stabilization and Association Agreement with the European Union (SAA), approximately 95 percent of all EU agricultural imports became duty-free. All other

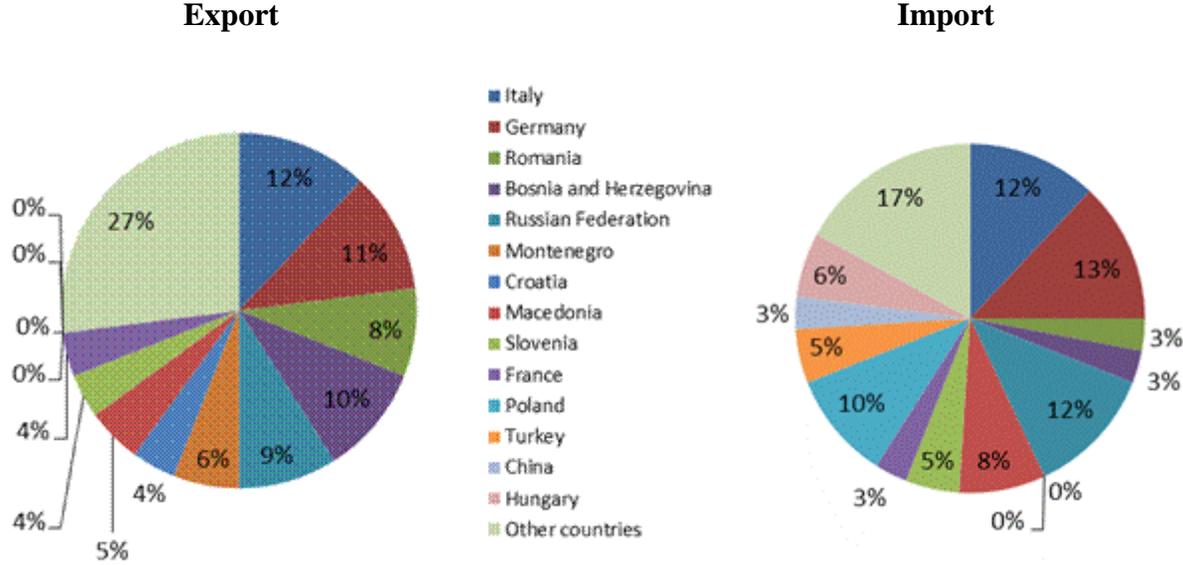
items now have an average duty rate of 0.99 percent, although the rate is significantly higher on certain sensitive agricultural commodities.

According to the Stabilization and Association Agreement (SAA) between Serbia and the EU that was fully implemented in January 2014 after a 6 year phase-in, most EU agri-food products enter duty-free except for sensitive items such as: live cows, pigs, sheep and lambs up to one year of age (12% duty rate); beef, pork, lamb, goat and poultry meat and offal (12%); powdered milk, yogurt, butter, cheese spreads, and other cheeses (9%); poultry eggs (9%); natural honey (9%); flavored or colored sugar syrups (9%); corn and seed corn (9%); fruit juices and concentrates from the continental fruits (8%), jams, marmalades and fruit pastes (8%); certain types of fresh, frozen or canned vegetables such as peas, sweet corn, carrots (4%) and roses (3%); These sensitive items will be liberalized when Serbia becomes an EU member.

Serbian Trade of Agriculture and Food Products

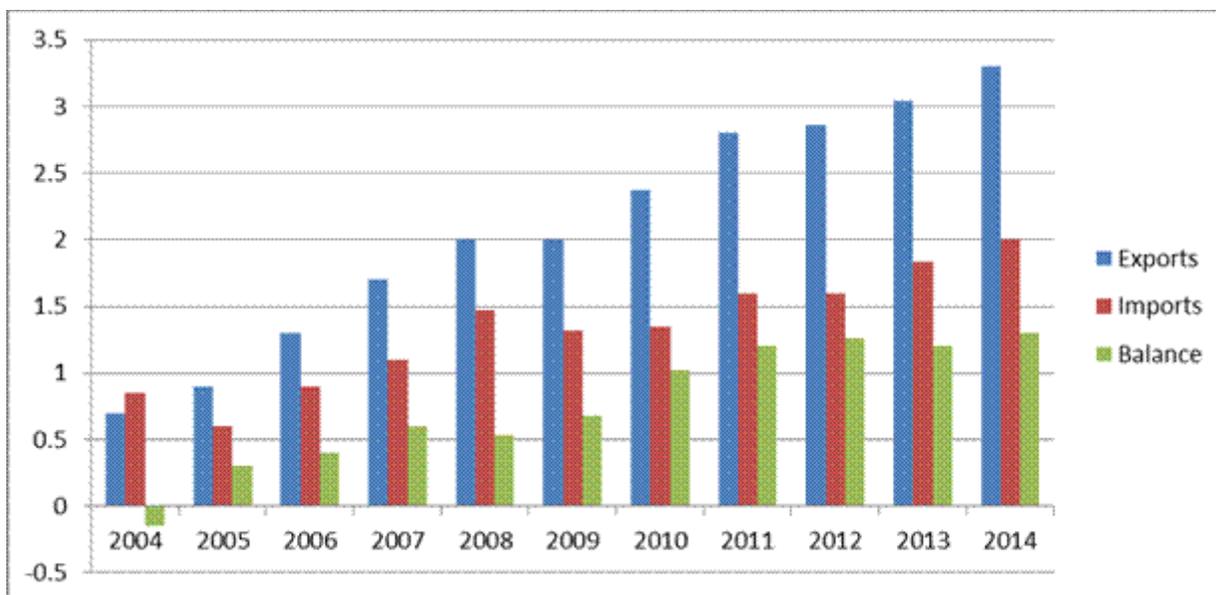
Total Agriculture Trade(billion \$)	2009	2010	2011	2012	2013	2014
Exports	2.00	2.37	2.80	2.86	3.04	3.3
Imports	1.32	1.35	1.60	1.60	1.84	2.0
Balance	0.68	1.02	1.20	1.26	1.20	1.3

Source: Serbian Customs Office



Source: Serbian Chamber of Commerce

Serbian Agri-Food Trade in Billion USD from 2004-2014



Source: Serbian Statistical Office

Agricultural trade with the United States

In 2014, total U.S. agri-food exports to Serbia were valued at USD 30.2 million, a small decline compared to 2013 (USD 31.0 million). U.S. agri-food exports consisted mainly of almonds, tobacco, corn, sunflower seeds, vegetable planting seeds, dietetic foods, and concentrated proteins without dairy fats, alcoholic drinks, frozen fish and seafood, snacks and fruits. Despite a slight decline in 2013, the long term forecast for these products is that they will continue to grow. In the medium term, Serbia is also likely to increase imports of planting seeds, fish and fishery products, and poultry meat for processing, high-value consumer products, and beverages. Possibilities also exist for the expansion of U.S. exports of high value products such as tree nuts, raisins, snacks, beverage concentrates, planting seeds and seedlings, bovine semen and embryos, flavors, and fragrances.

In 2014, total US agri-food imports from Serbia reached USD 32.8 million, an increase of USD 8.8 million or 37 percent higher than in 2013 (mainly due to increased purchases of frozen, processed, and dried fruits and vegetables from Serbia). Other key agricultural imports from Serbia include yeast, frozen vegetables, fruit juices, confectionary products, brandy, processed fruits (jams, puree, and jelly), sweet corn, coffee, wine, cheese, and bakery products. In 2014, Serbia enjoyed a USD 2.6 million surplus in agricultural trade with the United States.

Bilateral Agriculture Trade with the US in 2014

U.S. Exports to Serbia \$30.2 million

Major exported commodities:

Tobacco and tobacco products: \$7.3 mil.
 Almonds: \$5.6 mil.
 Consumer oriented products: \$4.7 mil.

U.S Imports from Serbia \$32.8 million

Major imported commodities:

Dry, frozen and canned fruits: \$19.8 mil.
 Yeast: \$2.1 mil.
 Confectionary products: \$1.7 mil.

Whisky bourbon: \$1.5 mil.
Vegetable planting seed: \$1.2 mil.

Dry mushrooms: \$1 mil.
Fruit juices: \$780,000

Size and Growth of Consumer Foods Market

Influenced by the economic crisis and very low purchasing power, Serbian consumers remain more inclined to purchase economy brands within all categories in retailing, especially within grocery retailers. Private label experienced an increase in both volume and value terms in 2014, becoming much stronger in the process. Based on overall trends in consumer behavior, retail companies are becoming more focused on economy brands in order to increase value sales, while the same methods are being used to attract consumers, including deferred payment, price discounts, promotional sales and special benefits for retired people. The Value Added Tax is 10 percent for food and drugs and 20 percent for most other goods. There has been a noticeable increase in recent years in the sale of black and grey market goods.

Taking into account the very poor purchasing power of Serbian consumers, the domination of grocery retailers in terms of total value sales is unsurprising as the average Serbian family still spends most of its budget on food and utilities. During 2014, grocery retailers continued to experience a decline in constant value terms. Retail chains in Serbia have played a large role in the restructuring of the retail segment in recent years as government retail operations were privatized and later acquired by larger foreign companies. This led to the establishment of several large retailers in Serbia and allegations of monopolistic behavior. Retail trade turnover fell significantly beginning in 2012 and this trend continued in 2014. Turnover declined 10 percent during 2014, compared to the same period in 2013. According to the Serbian Ministry of Trade, due to the lack of competition of big retail chains, retail margins in Serbia are almost ten times higher than in other countries in the Balkan region. As a result, Serbia has very high prices for food and other consumer products. This is mainly due to very limited competition in the Serbian retail market.

Supermarket and hypermarket expansion in Serbia over the past 15 years has brought limited benefits to consumers and small suppliers like farmers. An analysis by Serbia's Economic Institute for the period 2000-2012 reveals a significant increase in retail prices for many product categories. For example, pork prices have increased by 60 percent; apples and chicken meat by 83 percent; potatoes by 87 percent; beans by 106 percent; and milk by as much as 119 percent. At the same time, local agricultural products have reportedly lost value. According to the Serbian Economic Institute "hypermarket revolution" in Serbia did not provide primary producers with access to consumers and the market, nor did the higher concentration of hypermarkets bring about a reduction in food prices.

Retail turnover in the Serbian market is approximately EUR 2.7 - 3 billion (USD 2.75 - 3.75 billion) a year, which represents a rather small market. If Serbia's retail turnover is calculated per square meter of retail space, compared to neighboring countries, Serbia has room to grow. For every 10,000 inhabitants in Serbia, it is calculated there are approximately 42 square meters of retail space. For the same number of inhabitants in Croatia there are about 184 square meters and the number is even higher in the Czech Republic with approximately 280 square meters per 10,000 inhabitants.

There are a number of foreign retail chains in the Serbian market, primarily regional players, and also some international players such as Delhaize. Foreign retail chains hold two-thirds of the total retail market. The Serbian retail market is mostly divided between Belgium owned Delhaize (owner of retail

chains Maxi and Tempo) and Croatian Agrocor (owner of retail chains Idea, Roda and Mercator). Other international retail chains in Serbia include German Metro and Lidl, Greek Super Vero and French Intermex. The following domestic retail chains represent one-third of the Serbian market: Dis, Univerexport and Gomex, that accounts for one-third of the total retail chains in Serbia. The turnover value of the Serbia's retail business could reach between EUR 5.5-6.0 billion annually, which is relatively modest by global standards.

Changes in consumer behavior

As part of the Serbian Government's budget saving measures, salaries and wages of employees in the public sector and pensions were cut by 10 percent in December 2014. The government expects to save EUR 400 million (USD 500 million) a year this way and shrink the fiscal deficit. This affected Serbian consumer purchasing power and retail turnover.

This change in the economic situation has also exacerbated another trend - over the last ten years there has been a widening in the economic divide between those who can afford luxury items and those who must purchase economy items. Serbian consumers also have becoming more and more conscientious about buying local and concerned about food safety and the environment. Increasingly the Serbian consumer is not just buying to satisfy his metabolic needs (he is not hungry), but to meet health and social objectives (support small local producers and reduce pollution). So suppliers either need to be price competitive or quality competitive. Consumers are responding to branding and certification (i.e. geographic, organic, and ecological) to support the quality attributes.

Trade Law

Serbia's Trade Law ("Official Gazette RS No.53/10 and 10/13), [http://mtt.gov.rs/download/1\(2\)/zakon_o_trgovini.pdf](http://mtt.gov.rs/download/1(2)/zakon_o_trgovini.pdf), divides commercial trade into wholesale and retail sales. In addition to licensed sales outlets, trade can be conducted remotely (e.g., e-trade, sale by catalogue or mail order, TV, phone etc.) and by direct offer (e.g. door-to-door salesmen etc.) through authorized representatives. Portable or mobile venues (e.g. kiosk, counter, bench, vehicle, etc.) are also authorized. The Law also defines special marketing institutions (e.g. commodities markets, fairs and other industry activities such as green markets, wholesale markets, and auction houses).

Market Opportunities for Consumer Foods and Fishery Products:

Suppliers need to consider the following when marketing high value products in Serbia

- The weak economy affects consumer-purchasing power. According to Serbia's Statistical Office an average monthly net wage in Serbia is RSD 43,925 (only USD 372) and unemployment remains high (18%). Salaries/wages declined 2.2 percent during January-October 2015, compared to the same period in 2014. As a result, the average Serbian consumer is very price sensitive;
- Quality and safety controls for locally produced and imported food products can be somewhat erratic as the inspection service is still updating its operations and this can introduce some uncertainty into the process;
- Gray and black markets have become more prevalent during the last four years, because of the global economic situation. Consumer association sources unofficially estimate that as much as

30 percent of food may be circulated through these markets;

Despite these challenges, there are market opportunities for high quality U.S. products as a result of growing consumer awareness in Serbia.

Food Expenditures and Consumption

It is estimated that the average Serbian family spends almost 45 percent of its total monthly income on food and non-alcoholic drinks. This is significantly more than the EU average of 18 percent for food and non-alcoholic drinks. According to the Serbian Statistical Office other costs of living include: household expenses (22%), transportation (8%), clothing (5%), culture/recreation (4.5%), alcoholic drinks and tobacco (4.5%), health (4%), communications (4%), restaurants (2%), and education (1%).

Demographic Development and Impact on Consumer Buying Habits

Serbia has a population of 7.2 million inhabitants, of which 69 percent are of working age (the average age is 42.4 years old). This older population is mainly attributed to emigration, although the population growth rate is only -0.40 percent (2014 estimate). The country’s population is mostly Serbian (83.3 percent) with ethnic minorities of Hungarian (3.5 percent), Bosnian (2 percent) and Roma (2 percent). According to a World Bank report published in 2014, approximately 48% of the population lives in rural communities. Although over the last 50 years rural populations have tended to move to urban areas, the latest trend since the 2008 world economic crisis is for some of the urban population to return to rural areas due to the lack of urban employment and growing opportunities in agricultural production and rural tourism. The total percentage of the population living below the poverty line in Serbia is estimated at 9.2 percent, according to 2014 CIA World Fact Book. The distribution of poverty is uneven with the gross average income being significantly higher in cities (Belgrade in particular) than in rural areas. The average Serbian household is comprised of 2.9 members.

Advantages	Challenges
Serbian consumer-ready food imports are increasing.	Serbia is not a member of WTO and the US has no tariff advantages.
International retail chains have become more prevalent.	U.S. products tend to be higher priced than CEFTA, Russia, Turkey, Belarus, Kazakhstan products which enjoy preferential market access.
Urban populations continue to grow and generally have higher incomes.	The Serbian market is relatively small and price sensitive.
EU accession negotiations started in January 2014 (There should be improvements in the biotech legislation and U.S. goods that are transshipped through EU Member States will enjoy the EU access).	Serbia may still maintain a de facto ban on biotech products and may continue to impose certification and testing requirements that are not science based.
During the EU accession process and transition period before tariffs are completely eliminated there may be market opportunities for U.S. products if immediate steps are taken to secure	Serbia is a member of CEFTA and has entered into free trade agreements with Russia, Kazakhstan, Belarus, and Turkey, thus these countries already enjoy preferential access for

those markets.	their agricultural products.
Serbia has shortages of some agricultural products (beef, pork, poultry, soybean meal, almonds, snack food, beans, seeds, fish, and seafood).	Serbia conducts most of its trade with nearby countries. Long distance and high shipping costs put US products at a disadvantage compared to EU and CEFTA sourced products
Serbia does not produce rice and certain fruits and vegetables.	The regulatory process can be cumbersome.
Serbia needs new seed varieties of crops and vegetables.	Serbia continues to ban biotech products.
Serbia is a member of Codex, OIE, UPOV, FAO, and OECD, all of which are organizations that have agendas generally complementary to U.S. trade interests and priorities.	Given Serbian aspiration to accede to the EU, Serbia is likely to support EU positions in these venues even before it fully becomes an EU member.
Serbia has huge demand for the U.S. animal genetics under very low custom tariffs.	Serbian purchasing power is modest

II. Exporters Business Tips

General Import Procedures

The Foreign Trade Law (“Official Gazette RS” No.36/09, 36/11 and 88/11), <http://mtt.gov.rs/dokumenti/#zakoni> regulates foreign trade. The flow of goods designated for import is supervised by the Serbian Customs authorities. Customs supervision generally ends when goods are customs cleared and import duties paid, although special customs procedures exist for customs warehousing, inward processing relief, and transit.

In the areas of the customs valuation, origin of goods, tariff classification and customs procedures, Serbia tends to apply the recommendations and guidelines of the World Trade Organization (WTO), World Customs Organization (WCO), and the global trading rules set by the General Agreement on Tariffs and Trade (GATT). Serbia brought its customs regulations and practices fully in line with those of the EU and with the guidelines set by the above mentioned international organizations. For example, the Customs Tariff Law provides that Decisions on the classification of goods enacted by the Harmonized System (HS) Committee, as a body of the WCO, as well as those enacted in the EU and published in the Official Journal of EU, are enforceable in Serbia. These decisions are published in the Official Gazette of the Republic of Serbia. The Serbian Government annually reconciles the national Customs Tariff with the Combined Nomenclature (CN) of the EU.

Serbian regulations do not impose significant restrictions on foreign trading. However, there are some restrictions on the import of certain types of goods, i.e. import licenses are required for certain pharmaceutical substances, meat products, precious metals, arms and dual-use goods. Furthermore, restrictions are imposed on import/export payments and collection operations as defined by the Law on Foreign Exchange Operations. Exports and imports of goods or services for which payment has not been collected and/or made for longer than one year from the day of execution of exports or imports, as well as goods or services that were not exported and/or imported for longer than one year from the day the advance payment was made and/or collected are considered as foreign loans and as such have to be

registered with the National Bank of Serbia.

Goods imported in Serbia are subject to customs duty rates provided in the Law on Customs Tariff (“Official Gazette RS” No.62/05, 61/07, 112/07, 9/08, 10/09, 100/09 and 66/10, 95/11, 11/12 and 115/12 or <http://www.upravacarina.rs/en/Zakoni%20engleski/SR-Customs%20Tariff%20Law-EN-2009.pdf>) and the Decree on “Harmonization of Customs Tariff Nomenclature for 2015 <http://www.upravacarina.rs/cyr/PoslovnaZajednica/Stranice/Carinskatarifa.aspx> .These rates are ad valorem (with certain exceptions) and apply on goods originating in countries which have Most Favored Nation (MFN) status with Serbia. Effective January 1, 2014, per Serbia’s Stabilization and Association Agreement with the European Union (SAA), approximately 95 percent of all EU agricultural imports became duty-free. All other items now have an average duty rate of 0.99 percent, although the rate is significantly higher on certain sensitive agricultural commodities.

Serbia’s customs authorities also assess excise duties on oil derivatives, dairy products, live pigs and pork meat, tobacco products, alcoholic beverages and coffee (green, roasted and ground coffee and coffee extracts). Excise duties in Serbia are either specific (for oil derivatives, alcoholic beverages, cigars and cigarillos), ad valorem (for coffee and pipe tobacco), or combined (for cigarettes - specific + ad valorem on retail price).

VAT is payable on all imports, assessed together with customs duty. For most types of goods, the general VAT rate of 20 percent applies, calculated on the customs value and inclusive of customs and excise duty (if any). For the importation of certain goods (e.g. fruit and vegetables, meat, cereals, pharmaceuticals) the reduced VAT rate of 10 percent is applicable.

There are a small number of specific types of administrative fees relating to customs processing, charged when customs declarations or requests for certain customs procedures are submitted. However, these fees are relatively low.

Import duties are payable after customs declaration is accepted and the customs bill with calculated amount of duties is issued by the relevant customs office. The assessed duty amount should be paid within eight days on the special budget account for import duty payments. Import goods can be released after payment appears in the Customs IT system or an appropriate instrument for securing payment of the duty amount is submitted (bank guarantee or cash deposit).

Local business customs

U.S. food exporter should focus on establishing their business relationship with a reliable and efficient importer and distributor. Identify the appropriate distribution and sales channels. U.S. exporters and Serbian importers could expand trade by strengthening confidence through visits of U.S. exporters/manufacturers to Serbia, exploring opportunities firsthand, and meeting with relevant Serbian importers.

A contact list of Serbia’s major food supermarkets, importers, wholesalers and distributors by sector is available upon request from FAS Belgrade Office to potential U.S. exporters. Large food retail chains like Delhaize and Agrokor have their own purchasing/importing division to handle food imports directly. Major supermarkets are increasingly importing directly from foreign suppliers in order to reduce costs. U.S. suppliers should initially contact the purchasing/importing divisions of these large food chains, especially for new-to-market food products. U.S. exporters should consider the price sensitiveness of their customers, their product requirements, purchasing policies, and expected purchase

volumes.

Additional Marketing tips:

- Direct marketing (phone/video calls, emails, meetings)
- Direct marketing is common also through mail order booklets
- Telephone marketing is increasingly common, but with mixed results

Conducting appropriate due diligence is important prior to signing a contract with potential representation. Although English is widely spoken in the business community, U.S. companies will want to have a representative with strong Serbian language skills and cultural knowledge. In addition, business in Serbia is still conducted to a large extent based on personal contacts. In this respect, it is critical to find a partner who is committed to abiding by both local and U.S. laws. Importers, wholesalers and distributors can provide transportation, product storage, and market information and can effectively market goods to local consumers.

International consulting firms present in Belgrade and the Chamber of Commerce of Serbia (<http://www.pks.rs>) may have information about potential local partners. The FAS Belgrade Office also can assist U.S. companies by offering counseling on the market, explaining import requirements, and facilitating communications with Serbian Government Officials (including Serbian Customs Office, Veterinary and Phytosanitary Import Inspection) as appropriate. Please see the Key Contacts section below for more information.

The Serbian Business Registers Agency (BRA) oversees the establishment of foreign representative offices in Serbia and performs the registration of other foreign legal entities in Serbia. Foreign entities/persons and imported goods enjoy the same treatment and the same status as domestic entities (that is, national treatment). A representative office may operate in Serbia after completing the registration process with the BRA. The registration process takes approximately 10 days from the filing date of the application. Representative offices may not directly sell goods or services, but may be used to support sales transactions or business development. They may conduct operations including market research and development, contract or investment preparations, technical cooperation, and similar business facilitation activities. They may not operate in the trade of armaments or other military equipment. Representative offices are permitted to hold foreign exchange and domestic currency accounts in authorized Serbian banks.

For more detailed import standards and regulations please refer to FAS Belgrade's 2014 Food and Agriculture Import Regulations and Standards (FAIRS), Narrative and Certification report that can be downloaded at: <http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx> .

General Consumer Tastes and Preferences

According to "GfK" Belgrade <http://www.gfk.com/pages/default.aspx> , the average Serbian consumer spends 45 percent of his/her monthly income on food, compared to the average EU consumer who only spends 18 percent of his/her income on food. Most Serbian consumers view price as the primary factor when purchasing food and beverages. Large supermarket chains have become more popular as the main food sales point over the last ten years. Customers generally purchase food once or twice a month from these outlets. Due to rising food prices and the weak purchasing power of many Serbian consumers, some consumers are also returning to their neighborhood corner shops to make daily purchases of staple foods. Perishable foods, fruits, vegetables, bread and fresh meat are mostly sold at specialized stores or

green markets.

In general, consumption of red meats in Serbia is fairly high. The largest consumption is of pork meat. As a result of the economic crisis, consumption of beef has declined (due to high prices), while poultry consumption has increased (due to lower prices). On a per capita basis, the average annual consumption of meat in Serbia is 60.8 kg (the EU average is 78 kg), of which 27.3 kg is pork meat, 17.2 kg is poultry, 14.4 kg is beef and 1.9 kg is lamb. Meanwhile the average annual per capita consumption of vegetables is 99.8 kg and for fruits it is 37.3 kg. Serbian consumption of bread is 106 kg (two times higher than the EU average of 50 kg), while milk and dairy consumption in Serbia are 87 liters (four times lower than the EU average of 320-380 liters). A typical Serbian meal is composed of pork or poultry meat, potatoes or some other vegetable.

There are ethnic restaurants (e.g. Italian, Chinese, Korean, Japanese, Mexican, Argentine, French, Lebanese, Greek, and Turkish) and "Food Corners" serving fast food in the larger Serbian cities (Belgrade, Novi Sad and Nis). Fast food has become more popular amongst the younger working population. American fast food outlets have been some of the most successful businesses in Serbia in recent years. For example, McDonald's, Kentucky Fried Chicken and Madre Burritos are all present in Serbia. More outlets are scheduled to open in the near future in response to the higher demand for "western style" food. Also, most supermarket chains in the bigger cities offer ready-to-eat food at relatively low prices. In smaller cities, most people prefer to prepare meals at home from fresh items from green markets or grown in their own garden.

Food Derived from Genetically Engineered Ingredients ("GMOs") – Public opinion is generally uninformed and founded on the media's negative reporting versus the international scientific community's consensus about the food safety aspects or technological advances of this technology. The issue has proven to be too politically charged, so that even politicians in favor of innovation do not take a public stance. Grain farmers and trader organizations are not united on the issue, as there is both an import and export interest involved. Serbian researchers are well educated and are not anti-GMO, but are not active in passing this message to the general public. Serbian livestock and poultry farmers are aware of the fact that with adoption of Serbia's GMO Law in 2009, all imports of GE soybean meal for cattle feed were blocked resulting in significant increases in feed prices. Livestock farmers and cattle feed producers are eager to buy EU approved GE soybean meal from Argentina, Brazil or the United States to reduce input costs. The current Serbian GMO Law adopted in 2009, does not conform to WTO rules, as it does not provide for a system to review GMO products but rather uniformly bans their sale and cultivation. The Serbian GMO law is more restrictive than the current EU policy.

Organic food - In 2014, there were approximately 250 certified organic producers in Serbia, an increase of 40 producers compared to 2012. In 2014, certified organic farmers produced organic products on approximately 7,500 HA, of which 4,000 HA were actually certified by representatives from organizations accredited by the Ministry of Agriculture and Environmental Protection. According to the Ministry, an additional 3,500 HA are still in the transition period of qualifying for organic production. Of Serbia's arable land, only 0.3% is currently dedicated to organic production, but it is growing. More than 90% of Serbia's organic production is exported to the EU (Germany, Belgium, Austria, Switzerland, and Great Britain) and the United States. Most of the production is fruit, vegetables (particularly mushrooms), cereals, and medical herbs. Serbia also imports some organic products such as baby food, mainly from Germany, pasta from Slovenia, and rice from Macedonia. Serbia Organica is the National Association of Organic Producers (<http://www.serbiaorganica.info/wp->

<content/uploads/2014/01/KatalogSRB72px.pdf>).

Given limited incomes and a still relatively modest living standard, eating organic is not a top priority for the average Serbian consumer. Although disposable income has increased over the past ten years, food prices have also risen significantly, limiting the growth in organic produce. There is a general impression that many certified organic products are imported, except for certain fruits, vegetables and cereals. There is very limited supply of organically certified animal origin products on the market. Certified organic cosmetic products have continued to grow, but certified organic textiles are hard to find. The retail sector for organic food in Serbia is still underdeveloped. There are only a few outlets in Belgrade and Novi Sad. Certified organic foods can be found only in some green markets, specialized health food stores, and a few supermarket chains. Although organic products have found their way into the supermarket chains, not much has been done to promote them. There are a growing number of health counters in the supermarkets, where products claiming health advantages are intermixed with organic products, but little is done to explain how “organic” is defined.

III. Market Sector Structure and Trends

Retail Sector Key to High Value Imports

According to Serbia’s Statistical Office the average monthly net wage in Serbia is RSD 43,925 or EUR 366 (USD 372), almost the same as ten years ago when the monthly net wage was EUR 370 (USD 376).

The cost of living for citizens in Belgrade and other bigger towns in Serbia is higher than for people living in the countryside. In contrast to other countries in the South Western Balkans, the concentration of retail outlets has yet to be completed. More than 70 percent of all food products in Serbia are still sold through small grocery shops (estimated to number close to 30,000). Tempo, a cash and carry market, was the first to open a retail chain in 2004 and many other chains have since followed. During the last couple of years there has been a rapid expansion in private label sales. Approximately 30 percent of the products in supermarkets are sold under private labels. Dairy products are the most common private label items, followed by snack foods, cereals and household cleaning supplies. Reportedly Serbian consumers sometimes buy private label brands if a product is of a higher quality or it offers a higher value than the national brand alternative. Most consumers cite price as the primary reason for purchasing a private label brand.

Labeling and Marking

The conformity mark in Serbia, verifying conformity of the product with certain technical regulations, may be the CE mark or another conformity mark according to special regulations (for example, homologation mark). The Serbian conformity mark confirms that the product meets the requirements of a Serbian technical regulation and that the prescribed conformity assessment procedures have been observed. This mark is in the form of three capital ‘A’ letters connected in the shape of an equilateral triangle and is affixed to the product in such a manner as to be visible. Artwork of this mark can be downloaded in several formats at: <http://www.kvalitet.co.rs/en/znaci-usaglasenosti-za-proizvode>.

It is prohibited to affix any other mark of similar content or form on a product which could be misleading to the consumer or that might impair the visibility or legibility of the conformity mark. The provisions for applying these marks are provided in the Decree on Manner of Performing Conformity Assessment, Content of Document of Conformity, as well as Form, Appearance and Content of the Conformity Marking (Official Gazette of RS No. 98/09).

Promotion and Marketing Strategies

A media campaign is strongly recommended when introducing a new food product on the Serbian market. Advertising is a very important tool in presenting new products mainly through internet, billboards, newspapers, magazines and TV. Supermarkets also use direct marketing mostly through flyers about their products, prices and special discounts. Very often in-store promotions, informal gatherings, and tasting events are used to present new food products. Food sales via the internet are still very limited in Serbia.

Most Serbian companies engage in some form of advertising. Television, radio, and print advertising are the most effective. Sales promotions and trade fairs are also common. Television, which reaches 90 percent of households, has the broadest reach of all media. Serbia has two state-owned and three private TV channels with national coverage. There are five regional channels. Serbian law restricts advertising on state television to six minutes per hour. Advertising on privately owned (regional and local) television stations cannot exceed 20 percent of total program length. The most advertised products are telecommunications, vehicles, financial institutions, beverages, newspapers, and hygiene products. Serbian law prohibits the advertisement of tobacco and alcohol on television.

Trade events and agriculture/food fairs are also very popular in Serbia and can be an excellent way to market products and services and to find local partners and distributors. The Belgrade Fair <http://www.sajam.co.rs/> maintains its tradition of organizing specialty exhibitions such as automotive, food and drinks, construction equipment, furniture, fashion, medical, pharmaceutical, books, tourism, etc. The Novi Sad Agriculture Fair is the largest and most popular fair for agricultural products, food and equipment. It has a long history and takes place every May (http://www.sajam.net/live/Dogadjaji/Sajmovi/2015/Poljoprivredni_sajam). Also the following are popular fairs for food and beverages in Serbia: “Culinaria Fine Food” (<http://www.tradefairdates.com/Culinaria-Fine-Food-M7408/Belgrade.html>), “Food and Drink Expo” (<http://www.dukeandpeterson.com/en/>) and “Belgrade Ethnic Food and Drink Fair” <http://www.etnohip.rs> .

IV. Best High Value Product Prospects

Product Category	2014 Total Imports (Million \$)	U.S. Share of total imports	Key Constraints	Market Opportunities
Pork	20.2	92%	Serbia is not accepting U.S. Veterinary Certificate allowing either testing or freezing. Serbia is mostly importing pork meat from EU and CEFTA countries under preferential import tariffs	Serbian is not producing enough pork meat for domestic consumption (imports over the last 6 years have increased fivefold). Growing market, especially for pork meat for further processing
Coffee and Tea	46.7	20%	Strong competition from	Growing market and

			South America, Africa, India and Vietnam.	demand for greater variety and higher quality
Grains and Vegetable Seeds	100.2	10%	Strong competition from domestic Seed Institutes and EU companies.	Growing demand for higher quality of new varieties of seeds to achieve higher yields and higher quality products
Wine	41.0	8%	Strong competition from EU and CEFTA countries at lower price point.	Growing market for higher end wines as Serbian living standard increase
Protein concentrates	22.0	7%	Lack of familiarity with U.S. products.	Growing demand and interest in new products
Pet Food (Dog & Cat Food)	21.7	6%	Competition from EU/CEFTA countries and U.S. franchises in the EU. Harmonization of Veterinary Health Certificate for US exports still not completed	Serbia has very limited production of pet food. Consumption of pet food is expected to grow with an increase in the standard of living
Confectionary products (including chocolates)	165.0	5%	Strong competition from domestic companies, EU and CEFTA countries at lower price point.	Market that will continue to grow with demand for new products
Animal Feed	30.6	4.4%	Strict biotech legislation and strong competition domestic supplies and EU/CEFTA countries.	Seeking lower cost inputs
Fish & Seafoods	51.0	4%	Competition from EU sources	Demand and consumption is increasing along with changing eating habits and growth in restaurant and tourism business
Snack Foods	70.0	3%	Strict biotech legislation and significant competition from EU and CEFTA	Market that will continue to grow with demand for new products
Tobacco Products	133.0	2%	The EU and CEFTA enjoy preferential customs tariff rates	Serbia has a shortage of tobacco products and is a net importer

*Tariff rates can be found at www.carina.rs

V. Key contact and Further Information

FAS/USDA

U.S. Embassy
Bulevar kneza Aleksandra Karadjordjevica 92,
11000 Belgrade, Serbia
Phone: ++381 11 706 4158
Contact person: Agriculture Specialist, Mrs. Tatjana Maslac
E-mail: tatjana.maslac@fas.usda.gov
Web page: <http://serbia.usembassy.gov/>

Serbian Ministry of Agriculture and Environmental Protection

Nemanjina 22-26,
11000 Belgrade, Serbia
Phone: ++ 381 11 260 7960
Fax: ++ 381 11 260 7961
E-mail: office@minpolj.gov.rs
Web page: <http://www.mpzss.gov.rs/> and <http://www.eko.minpolj.gov.rs/>

Serbian Ministry of Trade, Telecommunication and Tourism

Bulevar Mihajla Pupina 2,
11070 New Belgrade, Serbia
Phone: ++ 381 11 311 3432
Fax: ++ 381 11 311 4650
E-mail: kabinet@mtt.gov.rs
Web page: www.mtt.gov.rs

Serbian Ministry of Economy

Kneza Milosa 20,
11000 Belgrade, Serbia
Phone: ++ 381 11 36 42 700
E-mail: kabinet@privreda.gov.rs
Web page: http://www.privreda.gov.rs/?change_lang=en

Veterinary Department/International Trade and Certification

Omladinskih brigada 1,
11000 Belgrade, Serbia
Contact person: Mr. Sinisa Kotur
Phone: ++ 381 11 2602 634
Fax: ++ 381 11 2602 498
E-mail: vetuprava@minpolj.gov.rs
Web page : <http://www.vet.minpolj.gov.rs/srb/kontakti/kontakt-uprava>

Phytosanitary Department

Omladinskih Brigada 1,
11070 New Belgrade, Serbia
Phone: ++ 381 11 311 7371
Web page:

http://www.uzb.minpolj.gov.rs/index.php?option=com_content&view=article&id=54&Itemid=2&lang=en

Inspection on sanitary conformity

Serbian Ministry of Health
Department for Sanitary Inspection
1, Omladinskih Brigada Str.
11070 New Belgrade, Serbia
Phone: ++ 381 11 2607 874
Web page: www.zdravlje.gov.rs

Market inspection

Serbian Ministry of Internal and External Trade and Telecommunication
Department for Market Inspection
Nemanjina 22-26
11000 Belgrade, Serbia
Phone: ++ 381 11 361 4334
Web page: <http://razvoj.mtt.gov.rs/en/sectors-of-the-ministry/sector-for-market-inspection/>

Directorate for National Reference Laboratories

Serbian Ministry of Agriculture and Environmental Protection
Batajnicki drum bb,
11080 Zemun, Serbia
Phone: ++ 381 11 377 20 70
E-mail: slavoljub.stanojevic@minpolj.gov.rs
Web page: <http://www.dnrl.minpolj.gov.rs>

Customs clearance

Serbian Custom Administration
Bulevar Zorana Đinđića 155 a,
11070 New Belgrade, Serbia
Phone: ++ 381 11 2690 822
E-mail: kabinet@carina.rs
Web page: <http://www.carina.rs/en>

Institute for trademarks, patents and intellectual property

Intellectual Property Office
Knjeginje Ljubice 5, 11000 Belgrade
Phone: ++ 381 11 2025 800
Fax: ++ 381 11 311 2377
E-mail: zis@zis.gov.rs
Web page: www.zis.gov.rs

Statistical Office of the Republic of Serbia

Milana Rakica 5,
11000 Belgrade, Serbia

Phone: +381 11 2412 922
Fax: +381 11 2411 260
E-mail: stat@stat.gov.rs
Web page : <http://webrzs.stat.gov.rs/WebSite/>

American Chamber of Commerce in Serbia

Smiljanićeva 24/I,
11000 Belgrade, Serbia
Phone: +381 11 30 88 132; 34 46 437
Fax: +381 11 30 88 922
Email: info@amcham.rs
Web page: http://www.amcham.rs/about_amcham.34.html

Chamber of Commerce and Industry of Serbia

13-15 Resavska Street,
11000 Belgrade, Serbia
Phone: +381 11 3300-900
Fax: +381 11 3230949
E-mail: info@pks.rs
Web page : <http://www.pks.rs/>

Accreditation Body of Serbia

Bulevar Mihaila Pupina 2,
11070 New Belgrade, Serbia
Phone: + 381 11 301 47 44
Fax: +381 11 313 03 74
E-mail: office@ats.rs
Web page: <http://www.ats.rs/en>

VI. Other Relevant Reports

Food and Agriculture Import Regulations (FAIRS) Narrative and Certification reports at
<http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>

APPENDIX I. Statistics

Table A. – Key trade and Demographic Information in 2014	
<i>Current status in the EU accession process:</i>	Serbia started the Accession negotiation process with the EU in January 2014
<i>Capital:</i>	Belgrade
<i>Currency:</i>	Republic Serbian Dinar (RSD)

<i>Population:</i>	7.24 million (2014)
<i>Government system:</i>	Parliamentary Republic. The National Assembly has 250 members and the Prime Minister is the executive authority
<i>Main industry sectors:</i>	Agriculture, Automotive, Food Processing, Metals and Chemicals
<i>Foreign direct investments:</i>	USD 1.66 billion (year 2014) source: National Bank of Serbia (NBS)
<i>Major trading partners 2014:</i>	Germany, Bosnia & Herzegovina, Italy, Russian Federation, China , Romania
<i>Real GDP/ GDP per capita:</i>	Projected USD 36.3 billion/USD 5,042
<i>FX rates (November 2015) :</i>	120.62 RSD /1 EUR 112.49 RSD/1 USD
<i>VAT rates:</i>	20% or 10% (reduced rate for basic foods)
<i>Corporate/individual tax:</i>	15% or 10-15% (individual)
<i>Next parliamentary elections:</i>	2018
<i>International organizations:</i>	Member of more than 50 int'l orgzns, including CEFTA, UN, Interpol, EBRD, UNHCR, OIE, UPOV, IPPC, CODEX